The Influence of Gender of the Boardof Directors on the Financial Performance of Australian Public Companies

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ABSTRACT

The aim of this research is to investigate the influence of gender of the board of directors on the financial performance of Australian publicly listed companies, in order to establish if there is a relationship between the number and percentage of women on the board and firm's financial performance. The starting point for this study is to understand the board of directors and their responsibilities, then to investigate some of the previous studies in this field and their findings. Using the resource based theory the hypothesis that firms employing greater percentage of women on their boards will experience relatively better financial performance is developed.

The findings identify that the number and percentage of women on board have a positive relationship with firm's financial performance in three of four of the financial measures that have been tested (net profit after tax, increase on total equity, capital increase and market value).

The study also indicates that the number and percentage of women on Australian boards remains low compared with other countries like US, UK and Canada. The study considers some of the reasons behind the low representation on women on Australian boards and suggests ways for women and companies to improve this percentage.

DECLARATION

I certify that except where due acknowledgment has been made, the work is that of the author alone; the work has not been submitted previously, in whole or in part, to qualify for any other academic award; the content of the thesis is the result of work which has been carried out since the official commencement date of the approved research program; any editorial work, paid or unpaid, carried out by a third party is acknowledged; and, ethics procedures and guidelines have been followed.

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1. Chapter One: Introduction

1.1. Introduction

From the perspective of the Resource Based Theory, the overall objective of the study is to test for relationship between the gender of the board directors and corporate financial performance.

Bosch (1995) defined board of directors as the peak governing body of a company that is responsible for the continuing success of the organisation. This emphasises that directors wield ultimate power and influence over the direction of the company, with ramifications for shareholders, employees and the industry (Bosch 1996). Through board initiatives and approvals, company policy and procedures are created or changed, new products are developed, and new markets are entered (Elgart 1983).

The board is viewed as a key element of corporate governance, acting as a formal link between shareholders and managers of companies (Bonn, Yoshikawa & Phan, 2004). The board plays a critical role in monitoring management and in providing strategic direction for the firm (Shrader and Blackburn, 1997). Active board members help firms gain access to important resources (Shrader et al., 1991).

Maitland (2009) suggested that having a gender mix on the board of directors is invariably better than a single gender board as it encourages people to air different opinions from their gender perspectives. If half the people the board is serving are women (half of the employees, customers and investors) and no women are on the board to offer a view, that's a very distorted picture the company risks creating (Maitland 2009). It has been argued that there is a powerful business case for why corporate boards should bring more women to the board table (Stephenson 2004) (details of why boards need

more women can be found in table 2.1). Companies with women board members can expect significantly higher returns and better overall financial performance for a number of reasons including, gender diversity at the board level solve problems faster and more effectively than like-minded boards (Dobbin and Jung 2007). Gender diversity at the board level brings different perspectives to the table and improves communication (Dobbin and Jung 2007) (details of the skills that women can bring to the board and how these skills can improve financial performance of companies can be found in table 2.2). It also sends a powerful message to the women who already work for their organizations that their contributions are valuable – that their voices are heard. It demonstrates to employees, investors and other stakeholders that diversity truly matters to their corporate success (Stephenson 2004). More women representation also translates into improved risk management and audit control, increased ethical oversight and a broader, more accurate assessment of the company's success (Stephenson 2004). When companies bring together a diversity of people - especially at the board level, ideas flow, innovation soars, improved strategies emerge, and better decisions are made (Stephenson 2004). A virtuous circle of continuous learning is created and sustained. In an economy where knowledge drives results, diversity is a precious asset (Stephenson 2004).

Increasing the presence of women in the boardroom may be considered as a business imperative: adding women on boards can have an important signalling effect to employees, shareholders, and the external business community (Huse and Solberg 2006). Daily and Dalton (2003) argued that women may add unique perspectives, experiences and work styles as compared with their male counterparts. Smith, Smith and Verner (2006) show that, whilst various efforts have been undertaken to increase the number of women on corporate boards the representation of women corporate directors shows little

change during the latest decade, there has been an increasing focus on the gender of top executives and boards of directors of firms.

The proportion of women reaching board positions is still very low in most countries, though it has been increasing, for instance, in the US and in some European countries. Norway legislation mandates 40 per cent women's representation on boards from 2005 (Daily and Dalton, 2003, p. 8; Fouché, 2005).

The objective of this research is to examine the impact of female presence on the board of directors on the firm's financial performance in Australian listed companies. A major point to be considered is that we are not arguing that women board members are better than men board members; but we are arguing that they are different. There for they can bring different perspectives and new ideas. These perspectives and new ideas can improve decision making, risk management and learning environment of the company then that can lead to better financial performance.

1.1 Background

Women participation in the workforce has been greater than ever, however, women representation at the board level remains low across all industries in Australia, Wood and Jogulu (2006) noted glacial progress. In 2004 3% of ASX200 CEOs and 8.2% of ASX200 board directors were women; in 2006 there remained 3% women ASX200 CEOs and 8.7% women board directors, (Wood and Jogulu 2006). When comparing these percentages with other countries like Sweden and Norway, that introduced regulations of the gender composition of the boards of directors in order to improve equal opportunities. In Norway, the government decided that for large Norwegian firms at least

40% of the members of the boards of directors must be women in 2005. This seems to have had a major impact on the recruitment practices for Norwegian board members, see Hoel (2005). According to Hoel, the proportion of women in Norwegian listed firms increased from about 6% in 2000 to 22% in 2005. This clearly indicates that the percentage of women on Australian boards remains low and Australian women have had a tough time getting seats at the boardroom table.

1.2 Aims

The aim of this research is to examine the gender make up of the board of directors of the Top 350 Australian listed companies for the period 2000-2007, to investigate any relationship between gender at the board level and the financial performances of these companies.

The financial performance measures that will be examined in this study will include: Annual Net Profit, Annual Capital Increase, Annual Increase on total Equity and Market Value.

Detailed analysis consisted of examining:

- The percentage of women on the board of directors
- The number of women on the board of directors

These variables were compared against the financial performance of the Australian listed companies over the years from 2000-2007.

Another detailed analysis looked at any differences on the industry level.

1.3 The Research Question

The central question investigated in this thesis is:

> *Does the gender at the board level affect the financial performance of Australian publicly listed companies?*

The research focus is on women board member on Australian boards and their skills that make them valuable board member. It also allows for a comparison of the experiences and differences between women and men board members and whether these sets of skills and experiences have any impact on the financial performance of companies. This research is investigating the differences between women board members and men board members and how the difference between the two might have a positive impact on the companies rather than which one is better.

The research is guided by the following supplementary questions:

- Are there any industry differences between gender at the board level and financial performance of Australian publicly listed companies?
- What kind of skills women can bring to the board of directors that makes their presence on board of directors is valuable to companies?
- Why do boards need more than one woman on the board table?

1.4 Motivations and Contribution of the Study

Australia's female representation in corporate boards continues to lag behind that of our leading trading nations, the United States and the United Kingdom, (EOWA 2006). Hence Australia may have had less effective boards, resulting in lesser performance. A

well-researched study can be helpful in changing companies attitudes towards hiring more women on boards and raising performance financial performance of companies. Women leaders and women on boards comprise a growing, and perhaps until this time overlooked resource for firms. We feel that it is now feasible as well as appropriate to test for women in leadership/boards and performance relationships.

Very limited academic research has been done in Australia in this area. On the other hand few industrial research has been conducted that managed to find a relationship between WOB and firm financial performance, (e.g. She means business sponsored by Sunday Life Magazine 2007 and she means business sponsored by the Sunday Morning Health 2006 both by Karren Brady). There is room for a good academic research study to investigate further these limited findings.

The underutilization of women in management in a period of great change and uncertainty is a national economic problem.

1.5 Limitations of the Study

1. Variables like size of company were not included as control variables because it could limit the sample. The repeated measures (or panel) form of the data can be analysed in such terms that effectively control for company specific factors (like Size). The sample is analysed by investigating each company on its own over the eight years period for a board gender effect, then combining all companies to test for an overall effect. For analysis it is very important for this investigation to have a big sample to find what may be a small effect.

2. The year 2008 was not included in the sample because of the global economic recession. This financial crisis affected most companies all around the world negatively; many companies made huge financial losses or have gone out of the stock exchange market completely. Australian Public companies were caught up in these problems as well; therefore it is important to exclude this year from our sample because it may affect the results.

1.6 Overview of the Study

Following this introductory chapter, chapter two provides a review of the literature on women on boards, their participation in the boardrooms and how that participation can affect the financial performance of firms based on previous studies in this area. Chapter three covers the theories and arguments that have been used in the past to measure women on board and financial performance of companies. The theories that are covered in this chapter are the Liberal Feminist Theory (LFT), Social Feminist Theory (SFT) and the Resource Based theory (RBT). Leading to chapter four that covers the development of the hypotheses and describes the methods used to collect the financial data employed in this research and the analyses undertaken to test the hypotheses developed in the previous chapter. Chapter five discuss the findings and the hypotheses tests and results. Chapter six covers some recommendations for future research and the conclusion of the research goes through all the results and findings from chapter five in depth to lead in the discussion and to conclude if the number or percentage of women on boards affects the financial performance of companies.

1.7 Definitions of Terms

- (RBT):Resource Based theory
- (LFT):Liberal feminist theory
- (SFT): Social feminist theory
- (ROE): Return on Equity
- (NPAT): Net Profit After Tax
- (CI): Capital Increase
- (BMV): Business Market Value
- (WOB): Women on Board

1.8 Summary

This chapter has presented the background and need of the study, research question and research aim. In addition stated that the purpose of this study is to investigate the differences between women and men board members and how these differences can help improve financial performance of companies. Then as part of this investigation we created few tables in chapter two to discuss these differences and how these differences can have positive impact on companies. This Chapter also stated that very limited academic research has been done to investigate Australian women on board and financial performance of companies as a reason for to the research.

2. Chapter Two: Literature Review

2.1. Introduction

In this chapter, the literature on women and their participation on corporate boards is examined.

The focus in the chapter is on three interrelated themes that develop in the literature: women's potential contributions at board level, gender differences in management, leadership and directorship style in depth and why having more women on board can improve corporate financial performance.

Women make up about half of the workforce in most developed countries yet they comprise fewer than 5% of senior executive and board of directors' roles (Tharenou 1999 and Diamond 2007). Ragins, Townsend and Mattis (1998) suggest that while women are flooding the managerial pipeline, their efforts to attain the more senior levels are being blocked. Rindfleish (2002) argues that women's participation in the paid workforce has been one of the most remarkable social changes over the past 40 years, yet women are excluded from the most senior positions within organisations or their boards (Diamond 2007).

The term 'glass ceiling' was first used in 1986 in a special report in the Wall Street Journal on the status of corporate women (Hymowitz and Schellhardt 1986) to describe the corporate traditions, practices and prejudices that blocked women in organisations. The term 'glass ceiling' is now used extensively in the literature and refers to the barriers that keep women and minorities from rising above a certain level in organisations (Davidson and Cooper 1992, Coe 1992, Adler 1993, Cassel and Walsh 1994, and Diamond 2007)

Over the past 20 years the number of women executives and board directors has increased in Australia by only one to two percent to form 5% of board's positions (Tharenou 1999 and Diamond 2007).

2.2. Gender Diversity in the boardroom and corporate performance

Women are participating in the workforce in greater numbers than ever before. Diverse boards should more accurately reflect this changed workforce demographic. Women on boards may not only benefit company profitability (as indicated in table 2), but contribute in other intangible, yet important, ways. Putting women on boards provides positive role models to young women and can result in the attraction and retention of diverse staff, and better staff morale (Arfken, Bellar and Helms 2004).

To be able to investigate the impact of gender diversity of the board of directors on the company, it is appropriate to consider what are the responsibilities of the board of directors, to be able to understand why it is important to have female directors on boards. From there we will focus on female directors' participation in the board room.

2.2.1. Responsibilities of the BOD

Boards of directors exist to help management develop business strategies and to set policy objectives. Boards often select the chief executive of the corporation and, through their regular meetings, ensure effective planning and resource management. In addition, they oversee the adherence to regulatory requirements and monitor financial performance (Arfken, Bellar and Helms 2004). Bosch (1995) defined a board of directors as the peak governing body of a company that is responsible for the continuing success of the organisation. Bosch (1996) emphasised that directors wield ultimate power and influence

over the direction of the company, with ramifications for shareholders, employees and the industry. Elgart (1983) described how through board initiatives and approvals, company policy and procedures are created or changed, new products developed, and new markets entered.

The board is viewed as a key element of corporate governance, acting as a formal link between shareholders and managers of companies (Bonn, Yoshikawa & Phan, 2004). Burgess (2003) suggested that the knowledge, skills and abilities of directors largely determine the quality of board decisions and commitment of the directors. To maintain and enhance the quality of corporate governance, it is important for the composition of the board of directors to reflect current knowledge and business practices (Gillies 1992). The definitions of the roles of directors are broad, involving many and varied tasks, situations, and relationships (Burgess 2003). Izraeli and Talmud (1998) stated that a director needs to demonstrate accountability to stakeholders, and contribute to the resolution of internal problems and conflicts in the organisation.

Directors of corporate boards perform three fundamental functions: monitoring or control, service or advice, and resource dependence or resource acquisition (Lorsch & Maclver, 1989). In the monitoring or control role, directors act as representatives or fiduciaries of the stockholders, ensuring that the CEO and top management performance reflects external interests. The service or advice role is based on directors holding relevant and related experience to guide corporate strategy and advise the CEO and top managers on administrative and other managerial issues.

Increasing the variety of people who serve on boards is important because it offers the opportunity to tap into a rich pool of talented candidates, bringing new voices,

experiences and approaches to the decision-making process (Braund 2005). It will also help to add depth to existing skills and ideas and, perhaps most importantly, bring the board closer to properly representing its stakeholders.

2.2.2. Gender diversity on the BOD

Supporting this argument a study by the Conference Board of Canada (2001) tracked corporations and found that those with two or more women on the board in 1995 were far more likely to be industry leaders in revenues and profits six years later, in 2001.

In another study Catalyst (2005), released the results of a study of 353 Fortune 500 companies. They were able to demonstrate a direct link between corporate performance and gender diversity. They were able to provide evidence that the group of companies with the largest number of women in senior management had a 36% higher return on investment than the quartile with the lowest female representation.

These studies are indicators and evidence that woman in the executive suite correlate to high profits. The results showed a clear pattern. Fortune 400 firms with a high number of WOB outperformed their industry median firms. The firms with the best scores for promoting women were consistently more profitable than those whose scores were merely good (Adler 2002).

Catalyst (2004) looked at connecting corporate performance and gender diversity. The study used publicly available data to explore the link between gender diversity in the top management teams and US corporate financial performance in the second half of the 1990s. Catalyst used two measures to examine the financial performance: Return on Equity (ROE) and Total return on Shareholders' funds (TRS). Upon examining 353 Fortune 500 companies Catalyst found a connection between gender diversity and

financial performance. The study also confirmed that this connection between gender diversity and financial performance is evident overall and for the majority of industries for which they had enough data to study.

The companies examined have average revenues of 13.5 billion and an average market value of 21.3 billion. These companies were representative of all Fortune 500 companies between 1996 and 2000.

Overall the sample divided into the following 11 industries: aerospace and defence, consumer discretionary, consumer staples, energy, financials, health care, industries, information technology/telecommunication services, materials, pharmaceuticals and utilities.

The key findings of the study:

- The group of companies with the highest representation of women on their top management teams and BOD experienced better financial performance than the group of companies with the lowest women's representation. This finding holds for both financial measures analysed: Return on Equity (ROE), which is 35.1 percent higher, and total Return to shareholders (TRS), which is 34.0 percent higher.
- Financial performance was also analysed by industry, and in each of the five industries analysed, the group companies with the highest women's representation on their top management teams experienced a higher ROE than the group of companies with the lowest women's representation

- In four out of the five industries analysed, the group of companies with the highest women's representation on their top management teams experienced a higher TRS than the group of companies with the lowest women's representation
- Catalyst Award-winning companies' financial performance outperformed others in the sample (Catalyst 2004).

2.2.3. Women on board – gender values.

Having a visibly diverse board signals that the organisation takes diversity seriously and that these different perspectives and viewpoints are given a voice at the board level (Allen 2004). Gender and visible diversity on the board and executive team is a step in the right direction towards attracting and retaining diverse talent. Not surprisingly CEOs report that having women on boards contributes to positive attitudes with female employees.

To go behind such results, it is necessary to look at reasons why women on boards could lead to higher financial performance.

The following table shows some of the main views of why boards need more women. The compilation draws on Ourcommunity.com.au (2007), Rosener (1995), Braund (2005), Burgess (2003), Huse (2006), Konrad and Kramer (2006), and Spurgeon and Gross (2005).

Table 2-1 Views on women differences on BOD

	Views	The Influence on BOD	Source
1.	New experiences and perspectives	Bring new voices, experiences and approaches to the decision-making process which may add depth to existing skills and ideas and, perhaps most importantly, bring the board closer to properly representing its stakeholders because women represent a high percentage of stakeholders.	**Rosener (1995)**

2.	New experience, knowledge and contacts	The connections of its members can be among a board's greatest assets Along with their different experiences and perspectives; women will also inevitably bring new knowledge and contacts to a board.	**Braund (2005), Burgess (2003)**
3.	Communication skills, knowledge, community issues, ethical and less competitive.	Many people believe that there are a range of qualities that only women can bring to a boardroom – things like better communication and consultation skills, a more "caring" attitude towards the organisation they are governing, a better knowledge of community issues, and so on. Some people have even suggested that women have a greater propensity for more ethical behaviour, being less competitive and less likely to be driven by money.	**Spurgeon & Gross (2005), Burgess(2003) and Huse (2006)**
4.	Representation	Boards are put in place to oversee an organisation or facility and to provide leadership. They govern for the benefit of, and are therefore accountable to, the community at large. Women therefore represent a big chunk of any board's stakeholders – and it is difficult to represent this important group's views and needs without giving women a place at the board table. Having women on the board also makes a strong statement about the organisation's willingness to seek out and take into account the views of all of its stakeholders.	**Ourcommunity.com.au (2007), Braund (2005) and Burgess (2003)**
5.	Ethical and equality.	Many organisations pay lip-service to equality but in practice, this cannot occur unless power is shared equally with women – and that means offering them (and welcoming them into) a place on the board.	**Huse (2006), , and Spurgeon & Gross (2005).**
6.	Governance experiences.	Many for-profit companies are discovering that it makes good business sense to have women on their boards. Indeed, studies have shown a connection between organisational performance – both financial and non-financial – and greater numbers of women in positions of power. Having more women on boards means a greater diversity of skills, experiences, opinions and strategies – and that means better governance. And better governance inevitably means better results.	**Rosener (1995), Braund (2005) and Burgess (2003)**
7.	Broaden boards discussions	Women directors extend boards' discussions to better represent the concerns of a wide set of stakeholders, including employees, customers, and the community at large. Women directors can be more dogged than men in pursuing answers to difficult questions (possibly because, as one male CEO put it, the men feel a gender obligation to behave as though they understand everything).	**Konrad and Kramer (2006)**
8.	Collaborative approach	Women directors tend to bring a more collaborative approach to boards, which improve communication among directors and between the board and management.	**Konrad and Kramer (2006)**

Complied also from the above sources, the following table shows some of the main skills that women can bring to the boardroom and how these skills can benefit the decision making that will lead to improved financial performance

Table 2-2 Skills women can bring to the boardroom

	Skills	Women board members contributions	Impact on company	Reference
1.	Women are flexible and deal well with uncertainty	Evidence that women on board can actually enhance the firm's capabilities to be flexible and deal with uncertainty	This may improve risk management and audit control	Rosener (1995)
2.	Women are strong in the areas of idea generation and innovation	More and more women assume leadership, boards and management positions, organizational learning, climate, and performance might improve.	If organizational learning climate improve then performance may improve as well.	Rosener (1995)
3.	Diversity	Female board members bring diverse viewpoints to the boardroom and may provoke lively boardroom discussions.	Different viewpoints might ensure that important details are not overlooked. This may improve firm's performance.	Allen (2006)
4.	Women are more transformational than men	It has been argued that women encouraged participation in power and information and sought to enhance the status of employees.	This skill may encourage employees to raise their voice with idea and innovation and make them feel responsible for improving company performance.	Spurgeon & Cross (2005)
5.	Women tend to be more nurturing, caring and sensitive than men	These characteristics are more aligned with transformational leadership	More likely to generate extra effort from employees that and might improve financial performance.	Bass and Avolio (1996)
6.	Social skills	Women can draw on their social skills to transform individual self-interest into a desire to achieve organizational goals.	Improve decision making and performance	Bass and Avolio (1996)
8.	Participative style	Their more participative style is helpful to employees in new or changing circumstances, enabling creative response to change.	Generate extra effort from their subordinates' co-workers. This may lead to better decision making and that may lead to improve financial performance of firms.	Nichols (1993)
9.	Good at juggling and think strategically	Research suggests it's also women's ability to keep many balls in the air that makes them effective board members.	As a result, decision making will be improved and that may lead to improve financial	Lynch (2006)

			performance of firms.	

So why are woman often overlooked for board positions? Politically correct chairpersons often say that they want more women, but can't find quality candidates. The reason that is normally given is that there is an insufficient supply of senior executive women with experience comparable to male board members (Allen & Zehnder 2007). It's been argued "but how can she be an effective non-executive director if she has never been a CEO of a publicly listed company?" Currently board members are drawn almost exclusively from executive ranks (Allen & Zehnder 2007). Women are seen to learn the experience and skills needed for corporate boards. But one can argue that it is a normal and healthy state to have a mixture of direct management experience and other experiences, be that from professional services careers or other relevant backgrounds.

CEO of the Harvard Group, Vince Caracio, said, "until five years ago boards of directors were three adjectives: male, pale and stale (Allen and Zehnder 2006, 2007, para. 11). "Of course there is nothing wrong with being older, white and a man. But this is not the point" (Allen & Zehnder 2007, para. 14). When all board members are cut from the same cloth the board can become an old boys' network, which is widely acknowledged as a major cause of ineffective boards, poor governance and some of the most spectacular failures of governance (Allen & Zehnder 2007). Board processes differ when diverse perspectives are brought to the boardroom table. "And these differences in process lead to differences in outcomes" (Allen & Zehnder 2007, para. 14). Divergence of views can lead to constructive dissent and debate behind the boardroom door and encourages good due diligence in decision making. But to have this there must be a belief that different insights, skill and experiences are valuable to the organisation and can contribute to

business growth. The argument here is that the homogenous board lacks diversity and therefore meaningful dissent or deliberation (Allen & Zehnder 2007). "Diversity in gender as well as background is very good for a board to get multiple perspectives and a diversity of views" (Allen & Zehnder 2007).

If hiring for "fit" brings on like minded people who can get along with the rest of the team, the flip side is that this can be a hindrance to breakthrough ideas (Allen & Zehnder 2007, para. 15). As Sonnenfeld (2002) said, the best boards know how to have a good fight. Diversity in experiences, skills, viewpoints, perspectives, talents, ideas is a positive. Diversity is about enriching the leadership platform with different perspectives by having a team of people with different frames of reference. How well can board members with mostly similar experiences and backgrounds ensure that the full range of strategic risks facing their organisation have been identified? The same questions apply to other management themes like managing change, and managing innovation etc (Allen & Zehnder 2007).

When Jill Kerr Conway had just left being President of Smith College in the US and was the sole female director at Nike in the early 90s she suggested that the company launch a female sports apparel division. Today this division accounts for a large amount of Nike's revenue.

This is one of many examples where a different set of backgrounds, a different set of ideas can create profitable change.

But getting to the top is not simply about excelling at what you do; says Baker, partner and board member at Clayton Utz legal firm “A lot of people think that if you work hard enough, good think will happen. In my experience, that’s not how it happens. You need

to be talented, have the right skills, think laterally and be in the right place at the right time."

According to research commissioned by the US Federal Office of the Status of women in 2004, under the auspices of lobby group women on boards, publicly listed companies of the USA account for approximately 10,000 board positions, 1.4 percent of which become vacant each year. However, with sitting members often reapplying for membership, the number of vacancies for new members is closer to 100 places per year (Douglas 2005). About 7 percent of these board positions are taken by women, and even if the recruitment rate of women to boards were to double, that would leave only about 14 positions open. Half of the 2,000 women who have registered with women on boards have expressed interested in a board career. That's 1.4 positions per 100 women. After 20 years of recruiting for and participating on numerous boards, Heidrick & Struggles partner David Pumphrey says smart companies are now actively recruiting women to their boards. "Boards are only successful if the dynamics are right," he says. "If you can get a mix of people you have more scope (Douglas 2005. Para 4).

Shrader, Blackburn and Iles (1997), tried to provide conceptual arguments and empirically explore the firm-level relationships of women in management with financial performance outcomes.

The study justified and builds on the assumption that firms employing more women managers have probably done a better job of recruiting capable managers from the total available talent pool, and consequently will be in a better position to link with customers, employees, and other constituencies. Firms employing higher percentages of women are likely to perform better inasmuch as they are more progressive and more competitive

because their management contingents more closely mirror the composition of existing markets.

Rationale for these arguments is found in the resource-based theory of competitive advantage and strategy analysis (e.g., Barney, 1991, 1997; Grant, 1991). Basically, according to Barney (1997), the resource-based theory argues that it is not industry structure that leads to competitive advantage and better performance rather; it is the ability to capitalize on and apply the firm's internal resources in uncertain and dynamic industry contexts. We will return to the resource based theory of competitive advantage in depth in the theories section of this thesis.

Women can draw on their social skills to transform individual self-interest into a desire to achieve organizational goals. Their more participative style of leadership is helpful to employees in new or changing circumstances, enabling everyone to respond creatively to change. Through transformational leadership, women use their work achievements, contacts and power based on their personality, rather than power based on authority or position, to feel confident. Finally, women appeal to the intrinsic rewards that employees will discover, as these are more empowering than, for example, more pay (Venkateswaran 2007).

According to Nichols (1993), women managers will redefine managerial work and will provide firms with opportunities to capitalize on the challenging contexts they face. Zellner (1994) further notes that women are starting new businesses at a rate nearly twice that of men, and are "bringing to the table" skills such as team building and employee development that are very much in tune with today's competitive realities.

2.3. Profile of Australian company directors

The percentage of women on Australian boards is still very low. Most boards are made up of men because candidates are recruited traditionally from within their own social circles. In Australia there is no quota system mandating a ratio of women represented on boards. Medd (the Executive and Chair of the Women on Boards program in Australia, President of the National Foundation for Australian women, Chair of Australian Ethical Superannuation Ltd and a director and chair of the Finance Committee of The Infants Home, Ashfield) doesn't believe we need one. It's a simple matter, she says, of creating a meritocracy. "I think there should be a key performance indicator system in place where women are assessed on their performance."

Beside the arguments listed above, another argument for aiming at a more diverse composition of board members is that if only male individuals are potential candidates for the boards, the selection of board members will take place from only this selected distribution of qualifications, and on average this implies a much lower quality than if the candidates are selected among the best from the distribution of both men and women (Smith, Smith and Verner 2005).

Before summarising this chapter it's important to discuss the profile of women on the Australian boards, which will indicate how low is the representation of women on boards and how this percentage is not increasing much over the years. Focusing on the Top 500 Australian listed companies, (women on boards.org.au 2001) conducted a two year study of board membership in Australia and interviews with almost 50 women who sit on public company boards. It identified that women are still a small minority of board directors, and that not all boards are welcoming or receptive to change.

Some facts in 2001:

- Women hold only 162 positions of a total of 3,312, that is, around 5%.
- Most (71%) Australian companies still have no woman on the board, and of those that do, the profile is of one woman, working with seven male peers around the board table.
- Fourteen of the Top 500 companies have two women on the board, and the average board size in these companies increases to nine, so in these boardrooms, while two women sit at the table, they are seven male peers.
- Three companies of the Top 500 have three women on the board, and one company has four. All of these boards are larger than the norm, with eleven directors each, on average.
- Far from the boardrooms of Australia being swamped by women, the composition remains remarkably similar to that of ten years ago, when about the same percentage of non-executive directors was female. It seems that this is unlikely to change in the immediate short term.

In 2002 fewer than 10% of Australia's company directors were women and fewer than 2% came from minority ethnic groups. Research commissioned in 2003 by women on boards of 412 Australian organisations, including 338 of the top 500 publicly listed companies showed:

- 7% of all board members were women
- 29% of boards had one female board member
- 6% of boards had two female board members
- 2% of boards had three female board members
- 3% of public companies and associations had female Chairs
- 37% of the first 175 public companies and 73% of the next 325 companies had no female board members

2006 EOWA Census of women in leadership measured the percentage of women on boards and women executive managers in Australia's top 200 organisations listed on the Australian Stock Exchange the key findings were:

- Women comprise 47% of Australia's employees and 40% of its shareholders.
- 12% of executive managers in ASX 200 companies are women (compared to 11.4% in 2004).
- Of the 200 companies studied, 39.5% had no women executives at all (compared to 40.6 % in 2004).
- Only six ASX companies are led by women, which translates as 33 male chief executives to every one female chief executive (those with female CEOs are GasNet Australia Group, Harvey Norman Holding, Macquarie Airports, Macquarie Countrywide Trust, St George Bank and NZ Telecom).
- Only 8.7% of board seats are filled by women

Wood (2006) argued that the census reveals slow progress. In 2004 3% of ASX200 CEOs and 8.2% of ASX200 board directors were women; in 2006 there remained 3% women ASX200 CEOs and 8.7% women board directors. And again if we compare 2001 with 2006 we will not find a big difference. It may take many more years for women to achieve equal status with men in the corporate world.

2.4. Summary

This chapter outlined some of views in relation to gender diversity at the board level, and women potential contributions in the boardroom and outlined some of the skills that women can bring to the boardroom then how these skills might benefit firms and improve financial performance.

This chapter also summarised the profile of Australian women on boards as a statement of how low the percentage is compared to the total directors. The profile also presents the percentages over few years to give the opportunity to compare the percentages. This didn't show a big difference for example, if we compare the percentages of 2001 with the percentages of 2006 there is no significant change.

3. Chapter three: Theories

There are a number of theories in favour of diversity of board members to be found in the previous literature (Smith, Smith and Verner 2006). Some of these theories related to women and men who own businesses, entrepreneurs while other theories related directly to women and men being managers, senior managers and directors and their differences and impacts in the board room and how are these differences can benefit the firms.
In this chapter some of the main feminist theories will be covered briefly; the main concentration will be focused on the Resource Based theory as it is related directly to this investigation.

3.1. Liberal Feminist Theory (LFT)

LFT has its roots in liberal political philosophy (Fischer, Reuber, and Dyke, 1993) and Liberal Feminists seek change through appealing to the liberal values of equality, freedom and the right to choose (Lowe and Bentson, 1984). Behind the concept of Liberal Feminism lies the implicit assumption that women and men will be equal if they are given identical opportunities (Lowe and Bentson, 1984). LFT does not recognize any inherent gender differences. Rationality, viewed as the human essence, is assumed to be a purely mental capacity, and is considered to be separate from a person's gender. Disparity in achievements between genders is attributed to the differences in social opportunities presented to men versus women. Women, being deprived of access to various forms of education and experience, are argued to be less likely to realize their full potential (Fischer, Reuber and Dyke1993).
Attempts at change are directed towards institutions and ideas that seem to keep women in disadvantaged positions such as sex-role socialization, inequality of opportunity,

unequal access to education, and female responsibility for child caring and housework (Lowe and Bentson, 1984).

Anna McPhee, director of the EOWA (Equal Opportunity for women in the Workplace Agency), believes it's largely cultural "Australia has been a leader in women's rights but Equal Opportunity for Women in the Workplace has been on the agenda in Australia for just over 20 years" (Federal Parliament passed the Equal Opportunity for Women in the Workplace Act in 1986). "In the US it's been on the agenda for more like 40 years," explains McPhee, "so we have some catching up to do" (McPhee 2006, p.2).

Johnsen and McMahon (2005), based on applying Liberal Feminist Theory, argued that female entrepreneurs would be less likely to state positive growth intentions than male entrepreneurs because they have fewer resources available for, and attach less value to, business expansion.

Self-employment enables women to overcome discrimination and other employment difficulties (Cromie and Hayes, 1988). Consistent with LFT, however, several writers argue that self-employed women are still disadvantaged relative to self-employed men because women face barriers associated with education, families and workplaces (Kalleberg and Leicht, 1991).

Understanding the factors that influence business performance lies at the heart of much work on management and organizations. Studies comparing the performance of male- and female-owned firms consistently show that businesses headed by women tend to be smaller than those headed by men, whether size is measured by gross revenues, number of employees, or profit level (Fischer, 1993; Fischer and Kalleberg, 1991).

Smaller businesses are more exposed to liabilities, such as difficulties in raising capital, meeting government regulations, and competing for labour with larger organisations that pay more and offer greater benefits (Johnsen and McMahon, 2005; Kalleberg and Leicht, 1991). In this light, if businesses led by women are found to be smaller than those led by men, one might expect to find apparent gender-based differences in financial performance and business growth.

There is also some evidence that female owned businesses grow less quickly than those owned by men (Cliff, 1998). Since size and growth are typically used as criteria for evaluating organizational success in terms of financial performance and business growth (Venkatraman and Ramanujam 1986), previous studies comparing male- and female-owned firms have been directed primarily at providing explanations that can account for the "poorer performance" of businesses headed by women.

Liberal Feminist Theory posits that if women had equal access to the opportunities available to men—such as education, work experience, and other resources—they would behave similarly (Cliff, 1998; Unger and Crawford 1992). Although no significant gender differences have been reported in the educational backgrounds of entrepreneurs (Birley, 1992; Fischer, 1993), female entrepreneurs tend to have less industry, management, and prior business start-up experience (Carter, Williams, and Reynolds 1995, Fischer; Hisrich and Brush 1983; Kalleberg and Leicht 1991,Watkins and Watkins 1983). Women who lack relevant experience may question their ability to manage a quickly growing enterprise and may therefore purposely limit the expansion of their firms. Lee-Gosselin and Grisé (1990 p. 431), for example, suggested that the minimal prior business

experience of the female entrepreneurs they interviewed contributed to their modest growth expectations.

In addition to differences in their prior business experience, male and female entrepreneurs tend to face very different domestic demands. Despite the fact that women are entering the workforce and starting new businesses at an increasing rate, they are still more likely to be the “primary parent, emotional nurturer, and housekeeper” (Unger and Crawford 1992, p. 474). Unlike their male counterparts, female entrepreneurs are not usually relieved of their domestic responsibilities when they start a business (Belcourt 1991, Goffee and Scase 1985) and are thus more likely to face conflicting demands between their professional and personal lives (Allen and Truman 1992; Buttner 1997; Goffee and Scase 1985; Stevenson 1990 and Stoner, Hartman and Arora 1990). This conflict may be manifested in the adoption of reduced growth intentions.

3.2. Social Feminist Theory

The Social Feminist Theory posits that the differences between male and female experiences, which are argued to begin from the earliest moments of life, are likely to result in fundamentally different ways of viewing the world (Fischer, Reuber, and Dyke1993). These differences are one of the first things children learn, and it serves to both model and structure so much of their further learning (Douglas and Frey 2005). Children, from very young ages, act in traditional 'gender-appropriate' roles: girls playing with dolls and boys playing with trucks so that it often looks as though this is some sort of sex role genetic program that compels a little boy to reach for a gun or a truck rather than a doll or a toy dish.

Hannah (1986) argued that males and females were artificially differentiated from birth onwards by a series of pressures from family, school, church, workplace and other agencies of socialisation. These theories of gender socialisation suggested that while boys were being taught to be rational, logical and objective and to repress their feelings, the girls were learning to cultivate their emotions: to be directed towards the care of others and to ignore their facility to reason. Boys were being prepared for life-long occupations in the public domain - girls for immersion in the unpaid labour of domestic service, where child-bearing and child-rearing would constitute their only true vocation.

Social feminism also offers a compelling argument for anticipating gender differences in growth intentions. This theoretical perspective asserts that women have different—yet equally valuable and effective—qualities, values, and ways of thinking due to variations in early and ongoing socialization processes (Black 1989). Men are expected to possess high levels of a genetic qualities such as self-assertion, self-expansion, and the urge to master, whereas women are expected to possess high levels of communal qualities such as selflessness, a concern for others, and interpersonal sensitivity (Eagly and Wood 1991).

The differences between male and female experiences are likely to result in fundamentally different ways of viewing the world (Fischer et al., 1993). Chodorow (1978) argues that mothers, by creating dissimilar relationships with sons and daughters, affect the socialization process and influence the way males and females view and interpret their surroundings. As a result of the differing socialization processes, SFT argues that women are placed at a disadvantage compared to males when it comes to starting and running their own business (Jones and Tullous, 2002).

These feminist theories provide useful background and input into considerations of gender and company performance. But they focus on disadvantages and rationales for lesser performance by women managers. They do not provide a mechanism to explain better performance by female dominated companies; why companies with more women on their boards might perform better in financial terms. The Resource Based Theory of the competitive advantage will be drawn on as the basis for this investigation. Basically, according to Barney (1997), resource-based theory argues that it is not industry structure that leads to competitive advantage and better performance. Rather, it is the ability to capitalize on and apply the firm's internal resources in uncertain and dynamic industry contexts. The RBT will frame a rationale for expecting higher performance by companies with boards with more women.

3.3. The Resource Based Theory

The fundamental principle of the RBT is that the basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable resources at the firm's disposal (Wernerfelt, 1984 and Rumelt, 1984).

The key points of the theory are:

1. Identify the firm's potential key resources.
2. Evaluate whether these resources fulfill the following criteria:

- Valuable - A resource must enable a firm to employ a value-creating strategy, by either outperforming its competitors or reduce its own weaknesses (Barney, 1991; Amit and Shoemaker, 1993).
- Rare - To be of value, a resource must be by definition rare. In a perfectly competitive strategic factor market for a resource, the price of the resource will be

a reflection of the expected discounted future above-average returns (Barney, 1986a; Dierickx and Cool, 1989; Barney, 1991).

- In-imitable - If a valuable resource is controlled by only one firm it could be a source of a competitive advantage (Barney, 1991). This advantage could be sustainable if competitors are not able to duplicate this strategic asset perfectly (Peteraf, 1993; Barney, 1986b).
- Non-substitutable - Even if a resource is rare, potentially value-creating and imperfectly imitable, an equally important aspect is lack of substitutability (Dierickx and Cool, 1989; Barney, 1991). If competitors are able to counter the firm's value-creating strategy with a substitute, prices are driven down to the point that the price equals the discounted future rents (Barney, 1986a; Conner, 1991), resulting in zero economic profits.

3. Care for and protect resources that possess these evaluations because doing so can improve organizational performance (Crook, Ketchen, Combs, and Todd, 2008).

The Resource based theory explains a firm's ability to reach sustainable competitive advantage when different resources are employed and these resources cannot be imitated by competitors which ultimately creates a competitive barrier (Mahoney and Pandian 1992). RBT explains that a firm's sustainable competitive advantage is reached by virtue of unique resources which these resources have the characteristics of being rare, valuable, inimitable, non-tradable, non-substitutable as well as firm specific (Barney 1999 cited by Finney et al.2004). These authors write about the fact that a firm may reach a sustainable competitive advantage through unique resources which it holds, and these resources cannot be easily bought, transferred, copied and simultaneously they add value to a firm

while being rare. It also highlights the fact that all resources of a firm may not contribute to a firm's sustainable competitive advantage. Varying performance between firms is a result of heterogeneity of assets and RBT is focused on the factors that cause these differences to prevail (Mahoney and Pandian, 1992; Amit and Shoemaker, 1993; Barney, 2001).

Firms can develop strong competitive advantages by accumulating unique or difficult to duplicate bundles of resources, and these resources can allow firms to take advantage of environmental opportunities or counterbalance threats. Supportive of the theory, research by Robins and Wiersema (1995) indicated that the ability to build these advantages paid off in terms of return on investment.

Barney (1997) goes on to describe that human capital resources are key to competitive advantage. Employee and management capabilities are firm-level resources that are among the most sustainable and difficult for competitors to imitate. The notion of human resources being the key to competitive advantage is prominent in the current popular management literature. For example, writing of their collective experience with numerous company change efforts, Katzenbach et al. (1995) concluded that many firms have underutilized human resources in this modern era of international competition and organization change. The underutilized resources tend to include females and those of diverse racial and ethnic backgrounds who might otherwise bring different perspectives to the firm. By better utilizing the contributions of women and minorities, firms can become more creative and accepting of change.

A study by Shrader, Blackburn and Iles (1997) explores relationships of women in management positions with firm financial performance utilizing the resource-based

theory of competitive advantage and found a positive relationship between women on board and firm's financial performance.

Blackburn et al. (1994) and Rosener (1995) argue that firms with large percentages of women in management are taking better advantage of the total pool of managerial resources and will be more likely to perform well financially.

Rosener (1995) puts forth the argument that firms must seriously consider human resource management to be the major determinant of global competitiveness, and that firms fully utilizing the diverse talents of women managers stand to gain competitive advantages over those that do not.

Shrader, Blackburn and Iles (1997) argue that firms employing a greater percentage of women managers have, according to the Resource-Based theory, been successful at acquiring a significant bundle of difficult to obtain resources. Empirical evidence supports this line of reasoning by showing that women make at least as good, if not better, managers than men (Rizzo and Mendez, 1988; Schwartz, 1989; Powell, 1990; Flynn, 1994). There is also some evidence that firms employing more women managers actually perform better financially (Blackburn et al., 1994; Throup, 1994) and that firms with heterogeneous management teams are better able to facilitate strategic change (Wiersema and Bantel, 1992).

The Resource-Based Theory provides a solid backdrop for this investigation. Because women leaders and women on boards comprise a growing, and perhaps heretofore somewhat neglected resource for firms, it is now feasible as well as appropriate to test for women in leadership/boards and performance relationships.

There is evidence that women are more oriented toward supporting and maintaining relationships than men (Hisrich and Brush, 1994; Rosener, 1995). Women are also strong in the areas of idea generation and innovation, and are generally more satisfied with their jobs than men (Rosener, 1995). Therefore, as more and more women assume leadership, board and management positions, organizational learning, climate, and performance should improve.

3.4. Summary

In this chapter we covered some of the theories that researchers used over the year that deal with women on boards and financial performance. The Liberal Feminist theory values the equality, freedom and the right to choose (Lowe and Bentson, 1984). Behind the concept of Liberal Feminism lies the implicit assumption that women and men will be equal if they are given identical opportunities (Lowe and Bentson, 1984). The Social Feminist theory argues that women and men are different. Hannah (1986) argued that males and females were artificially differentiated from birth onwards by a series of pressures from family, school, church, workplace and other agencies of socialisation. This theoretical perspective asserts that women have different—yet equally valuable and effective—qualities, values, and ways of thinking due to variations in early and ongoing socialization processes (Black 1989).

The Resource based theory argues that firm resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc; controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness. Rosener (1995) puts forth the argument that firms must seriously consider human resource to be the major determinant of global competitiveness,

and that firms fully utilizing the diverse talents of women managers and board members stand to gain competitive advantages over those that do not. Research by Hamel and Prahalad (1994) is based on the Resource based theory that the use and development of unique resources in relation to competitors is the key to competitive advantage. Firms that are expert at leveraging, or getting the most out of their set of unique resources, compete better in their industries, and human resources obviously play a major role in this process (Rizzo and Mendez, 1988; Schwartz, 1989; Powell, 1990; Flynn, 1994). The argument is that firms employing a greater percentage of women managers have, according to resource-based theory, been successful at acquiring a significant bundle of difficult to obtain resources. There is also some evidence that firms employing more women managers and women board members actually perform better financially (Blackburn et al., 1994; Throup, 1994) and that firms with heterogeneous management teams are better able to facilitate strategic change (Wiersema and Bantel, 1992). Because women board members are very valuable members as previous studies showed and can bring new experiences and perspectives to the boardroom, new knowledge, communication skills, ethics, broaden boards discussions (detailed information can be found in table 2.1). Women board members have different skills set that might help improve risk management, audit control, learning climate, might generate extra effort from employees, and improve decision making and all the above might help improve firm's financial performance. Skills like flexibility, women board members good at juggling and think strategically, women tend to be more nurturing, caring and sensitive than men, participative style, women are more transformational than men, and women are

strong in the areas of idea generation and innovation. The following chapter covers the hypotheses that were developed based on the RBT.

4. Chapter four: Research Method and Data.

The primary research method is quantitative analysis and testing of the hypotheses. The purpose of this chapter is to describe the research method used to collect the financial data employed in this research and the analysis undertaken to test the hypotheses.
An explanation of the reasons for choosing each of the accounting measures and details what each one represents. Details of the sources of the financial data are in section 4.2. Section 4.3 covers the development of the hypotheses. Finally the data analysis is outlined in section 4.4.

4.1. Data Considerations

To be able to establish relationship between gender of the board of directors and business financial performance it is very important to collect relevant data that will enable the hypotheses to be tested, statistically. In Pursuit of this main objective the first stage involved collecting the financial performance data of the Top 500 Australian listed companies for the years 2000-2007 inclusive. The main reason for choosing this period of years is because the Australian economy was consistently strong, with continued growth in all industries and stable economic and social conditions, throughout this period. The absence of any major economic shocks or changes over this period will potentially reduce any confounding effects of economic conditions.
Accounting measures are the primary measures used to evaluate the financial performance of each company because they are the most commonly used to indicate the firm's earnings and returns to shareholders, and they convey a basic sense of the overall profitability of the firms. The financial performance measures that were chosen are Net Profit, Return on Equity, Increase in Capital and Business Market Value. Each of these

measures gives us different information about a company (McGuire, Sundgren and Schneeweis 1988). (See the discussion of these in section 4.2).

Data were collected regarding the number and percentage of women on the board of directors for these companies over the same period of time.

A statistical analysis was used to test the hypothesised relationships of the financial performance with the number of female directors on boards over the eight years.

This analysis will look at the same data over the years 2000-2007 both overall and by type of industry. This analysis will reveal any industry differences in the financial performance with female directors' relationship, and bring to light which industries have more female directors on boards.

4.2. Data Collection Sources and Variables

The data employed in this research are drawn from the Connect4, DatAnalysis and FinAnalysis databases. The Annual Report collection (Connect 4) provides access to the complete annual reports of Australian publicly listed companies. This Annual Reports collection is available via RMIT University. Annual reports not available from this source were accessed from the companies' publicly available websites.

Full corporate details of all listed Australian companies and ASX Top 1000 are drawn from DatAnalysis on RMIT Library site. It provides detailed corporate information on all companies currently listed on the Australian Stock Exchange, as well as over 1500 delisted companies, including company annual reports, ASX company announcements from 1989 on, and listing prospectuses back to 1990. These reports are updated daily from relevant ASX announcements by Morningstar Research Pty Ltd.

FinAnalysis provides a 12 year history of detailed financial information for all companies listed on the ASX. These reports are updated daily by Morningstar Research Pty Ltd. FinAnalysis was used to run reports regarding the financial data of the ASX Top 1000. Data on Net Profit, Total increase in Capital, Business Market value and Total return on Equity for the years from 2000-2007 was collected.

Annual reports are the main source of information on the number of directors on board as well as the number of female directors.

The ASX web site was the source of Australian listed companies list. The list includes the full name of companies and their ASX code. The ASX code was used to find the company details in Connect4, especially annual reports. Sometimes not all the years were available and sometimes not all the reports were available; the unavailable data was then found in either Finanalysis or the company's website.

Data regarding the number of female directors on boards and the number of the total directors was drawn from the companies' annual reports.

The data was compiled into a flat data base with 368 Columns (Company name, ASX code, Industry, year, four performance variables, three gender measures, total board size, seven years dummy variables and 350 company dummy variables) and 2801 Rows (cases).

Table 4.1 summarises the financial measures definitions, the reason for choosing them and where the measures can be found.

Table 4-1 Financial Measures used.

Variables	Code	Definition	Reasons for	Where can be

			choosing	found
Net profit	NPAT	The final representation of how much money a company has earned from doing business over the course of a year.	It represents the amount of earnings a company can achieve, a good indicator of a firm's profitability	On the company's income statement or Annual Profit and Loss report or on financial performance statement.
Annual Increase on total Equity	ITE	Measures how well a company uses reinvested earnings to generate additional earnings	It gives a general indication of the company's efficiency and the number of dollars of profits the company can earn for each dollar of shareholders' equity	Can be found on balance sheets, or on Directors reports and some companies report it on their financial performance statements.
Annual Increase on Capital	CI	Measures how well a company uses reinvested earnings to generate additional earnings.	It indicates the number of dollars of profits the company can earn for each dollar of shareholders' equity.	Can be found on balance sheets
Business Market Value	BMV	It represents the market value.	Investors use market value to determine whether or not the market value is adequate or if it's undervalued in comparison to its book value.	Can be found in directors reports and some companies report it on their financial performance statements.

The list of the companies that was downloaded from ASX website started with 1000 listed companies; however the final list with complete data was 350 listed companies, because some companies were not in business during some of the years or because of the unavailability of data.

The first performance variable that was chosen was Net Profit; the main reason for choosing Net Profit is because it represents the amount of earnings (after interest and tax) a company has achieved, it is a good indicator of a firm's profitability. Net Profit (NPAT) is the final representation of how much money a company has earned from doing business over the course of a year. It takes all the money a company has received from operating and subtracts all expenses, including operating expenses, financing costs, and taxes. Net Profit is calculated as total revenue minus total expenses. Net Profit sometimes can be found on the company's income statement or Annual Profit and Loss report or on the financial performance statement.

The second financial measure that was chosen is Annual Increase in total Equity (ITE), because it measures how well a company uses reinvested earnings to generate additional earnings, giving a general indication of the company's efficiency and the number of dollars of profits the company can earn for each dollar of shareholders' equity. The way that it was calculated was (this year total equity – last year total equity) the difference between the two variables is the increase on total equity. Total Equity can be found on balance sheets, sometimes in directors reports (that are normally at the beginning of annual reports) and some companies report it on their financial performance statements.

Business Market Value (BMV) is the third financial performance measure that was chosen. It represents the market value. The market value is often different from book value because the market takes into account future growth potential. Most investors who use fundamental analysis to pick stocks look at a company's market value and then determine whether or not the market value is adequate or if it's undervalued in comparison to its book value, net assets or some other measure.

The final financial measure is Annual Increase in Capital, because it represents how well the company invested in the amount of ownership and risk in a business. It was calculated as (Issued share capital this year – last year) the difference equals Annual Increase in Capital (IC).

Table 4.1 summarises the financial measures definitions, the reason for choosing them and where the measures can be found.

Some of the companies report half yearly and some report quarterly, which necessitated adding figures from various reports to get to the actual dollar amount for that year.

To support the arguments for choosing the above financial measures; Table 4.2 lists some of the main prior studies in this area of interest that used the same financial measure, their reasons for using the measures and any relationship between female directors on boards and firm's financial performance that was found.

Table 4-2 Prior Studies: measures used.

Name of the study	Financial Measure and Reasons for choosing them	Results and Findings
Verboom and Ranzijn 2004	Annual increase in capital was chosen as it measures the return on the value of the stockholder's investment.	The percentage of women on board related significantly with this measure.
Verboom and Ranzijn 2004	Net Profit Ratio was chosen because it is among the most commonly used to indicate the firm's earnings and returns to shareholders, and they convey a basic sense of the overall profitability of the firms.	Strong contribution of the percentage of female directors and firms' financial performance.
Verboom and Ranzijn 2004	Increase in Total Equity was chosen as it measures the return on the value of the stockholder's investment.	The results indicate that the percentage of women on board variable contributed significantly to this measure.
Catalyst 2004 The Bottom	Increase in Total Equity was chosen because it is good indicator of	The group of companies with the highest representation on boards

Line	stockholder investments.	had 35.1 percent higher Return on Equity.
Véronique 2004	Increase in Total Equity.	IOE of 69 companies with women on boards averaged 13.8% compared to 9.9% for 31 companies with all male boards
Catalyst 2005	Increase in Total Equity. It gives general an indication of the company's efficiency.	Found that companies with the highest representation of women on their senior management teams and board of directors had a 35% higher
Erhardt, Werbel, and Shrader (2003)	Increase in Total Equity	Found that the percentage of Caucasian female directors on the board is positively related to return on equity for a 1998 sample of 117 Fortune 1000 firms.
Smith, Smith, and Verner (2006)	Gross profit/net sales. Contribution margin/net sales. Operating income/net assets. Net income after tax/net assets	Found a positive relationship between the proportion of women on boards and financial Performance of companies.
Dutta, Probal and Bose, Sudipta 2007	Increase on Total Equity	Found small but positive relationship between women on board and this financial measure.
Allen and Zehnder 2004	Increase on Total Equity	The highest number of female managers had a 35% better return

4.3. Hypotheses

Women have been underutilized on board positions (Katzenbach et al., 1995; Rosener, 1995). Because of this underutilization, firms are foregoing the opportunity to fully tap into their human resources. Thus, we argue that firms utilizing these human resources will perform well. Specifically, firms with large percentages of women on board are

taking better advantage of the total pool of professional resources and will be more likely to perform well financially (Blackburn et al., 1994; Rosener, 1995).

All the above considerations lead to two forms of hypothetical relationships between women on boards and performance to be tested:

Hypothesis 1: The number of women on a board is positively related with financial Performance of Australian listed companies.

Hypothesis 2: The percentage of women on a board is positively related with financial performance of Australian listed companies.

One woman board member, Rosener (1995) argues, is often dismissed as a token. Two females are not enough to be taken seriously. But three gives the board a critical mass and the benefit of the women's' talents.

Hypothesis 3: Having "at least three women" on the board of directors is related positively to financial performance.

Any significant relationship between women on boards and financial performance (Hypotheses 1-3) will lead to investigating any industry differences in Australian listed companies in this relationship.

4.4. Data Analysis

Each performance measure is to be modelled as a function of Company, Year, and Gender variables. Ordinary Least Squares Multiple regression was used for the modelling (in the SPSS package). Using dummy variables for years and companies in this way enables the possible effects of the many other variables that impact on financial performance to be accounted for. For example company size, strategy and many other

factors influence performance, but these variables are company specific and are taken into account via the company dummy variable. Similarly, economic conditions vary, but these are accounted for via the year dummy variables. In this way, changes in economic conditions and the many company specific factors are controlled for in the analysis. Reflecting standard financial performance modelling practice, the dependent variable in the regressions was the natural logarithm of the particular financial measure. This practice here enables more ready comparisons with other studies and also has the technical advantage of reducing heteroscedasticity concerns. It also means that the impact of the explanatory variables is in percentage terms, rather than absolute values, which is a better interpretive basis and expectations fit with the theory discussed previously.

The general model tested is;

$$Ln(Y_{ij}) = \alpha + \Sigma_{(i)}\beta_i C_i + \Sigma_{(j)}\gamma_j C_j + \delta G_{ij} + \varepsilon_{ij}$$

Where C_I = company I dummy variable (taking value 1 if i = I; value 0 otherwise)

A_J = year J dummy variable (taking value 1 if j = J; value 0 otherwise)

Gij = females on board measure for company i and year j

ε_{ij} = random error

Y = in turn, NPAT, ICE, BMV and IC

G = in turn, number of women on the board, percentage of women on the board, three+ women on the board (dummy variable = 1 if there are 3 or more women on the board; 0 otherwise)

The C and A variables are controls; the interest in the analysis is in the G variables and testing the significance or not of the δ parameter.

5. Chapter five: Results

The purpose of this chapter is to discuss the findings of the analyses and testing of the hypotheses. Section 5.1 is the preliminary findings of the research that were discovered from a simple analysis of the data before the regression tests of the hypotheses. Section 5.2 covers the details of the hypotheses testing and final results. Section 5.3 is residuals analysis and diagnostics and finally section 6.4 summarises the results.

5.1. The preliminary findings

The total number of all directors on the boards over the research period years was 17,247 and the number of female directors was 1,797 over the same period of time (directors with multiple directorships counted multiple times). Overall the percentage of female directors on boards is thus 10%. Some of the companies had three or more female directors (e.g. Blackmores Limited had three out of seven in 2007, Australian Ethical Investment Limited had four out of six in 2007 and Transurban Group had three out of eight in 2007). Some of the companies had three female directors at one time then reduced that number to one or none (e.g. Alinta Limited had three female directors in 2003 and zero in 2007 and Redflex Holdings Limited had three female directors in 2002 and only one in 2007). Only six companies had three female directors out of 350 listed companies in 2007. Only two companies had four female directors in 2007. The number of Australian companies that didn't have any female directors on their boards in 2007 was 130 out of the sample of 350. Comparing that number with the year 2000, the number of companies with no women directors in 2000 was 117 out of the sample of 350. That is, there was very little change over the eight year period, despite the prominent

debate over precisely this issue, both in the academic literature and the business press.

The table below summarises the number of women on boards over this period

Table 5-1 the number WOB in each year.

Year No. Women on Board	2000	2001	2002	2003	2004	2005	2006	2007
0	127	122	134	156	155	153	140	130
1	116	127	141	140	149	152	149	141
2	30	29	33	40	37	40	38	39
3	3	3	6	5	7	5	7	6
4	1	0	0	0	0	1	0	2
Total	277	281	314	341	348	350	334	318

The following table shows the industry breakdown list.

Table 5-2 Industries

Industry name	Number of companies in each industry
Automobile & Components	**0**
Banks	**7**
Capital Goods	**16**
Classification Pending	**3**
Commercial Services & Supplies	**12**
Consumer Discretionary	**0**
Consumer Durables & Apparel	**5**

Consumer Services	**6**
Household & Personal Products	**1**
Diversified Financials	**24**
Enargy	**4**
Financials	**36**
Food & Staples Retailing	**8**
Food Beverage & Tobacco	**17**
GICS Sector Code Not Applicable	**14**
Health Care Equipment & Services	**5**
Insurance	**92**
Material	**14**
Media	**17**
PharmaceuticalsBiotechnologyLifeSciences	**26**
Real Estate	**7**
Retailing	**12**
Software&Services	**3**
Technology Hardware & Equipment	**5**
Telecommunication Services	**12**
Transportation	**4**
Utilities	**0**
	350

5.2. The Hypotheses Tests and Results

The hypotheses tests of the number and percentage of women on boards and the four financial performance measures (NPAT, ITE, BMV, and TIC) tested are covered in this section.

In each of the repeated regressions, as expected, many company specific and year dummy variables were significant. These are not reported as their significance is fully expected and add little to knowledge. These variables were included as control variables to control for a myriad of effects, which they do. The important variables for consideration here are the gender ones. A typical example of the full regression results is shown in appendix 2.

5.2.1. The Relationship between the Number of Women on Board and Net Profit After Tax (NPAT)

The regression results for the number of women on board were not significant contribution to the variable Net Profit after Tax (NPAT).

Table 5-3 the regression results for NPAT of the number WOB

R	R Square	Adjusted R Square	Std. Error of the Estimate
	0.880	0.855	0.79890
Gender Variables	B	T	Sig
women on Board	0.005	0.102	0.919

5.2.2. The Relationship between the Percentage of women on Board and Financial Performance Measure Net Profit after Tax (NPAT)

The results indicate that the percentage of women on board variable and financial performance NPAT variable were not significant.

Table 5-4 the regression results for NPAT of the percentage of WOB

R	R Square	Adjusted R Square	Std. Error of the Estimate
	0.880	0.855	0.79876
Gender Variables	B	T	Sig
women on Board	-0.003	-0.740	0.459

5.2.3. The Relationship between at Least Three Women on Board and Net Profit after Tax (NPAT)

The regression results for the dependent variable NPAT for at least three women on board show a not significant result. This result can be expected because the number of companies that have 3+ women on boards is very limited, between 3-8 companies a year from 350 listed companies. The table below shows the main regression results for the dependent variable NPAT for at least three women on board.

Table 5-5 the regression results for NPAT for at least three WOB

R	R Square	Adjusted R Square	Std. Error of the Estimate
	0.880	0.855	0.79864
Gender Variables	B	T	Sig
3+ women on Board	-0.227	-0.990	0.323

5.2.4. The Relationship between the Number of Women on Board and Financial Performance Measure Capital Increase

The number of women on boards has positive and significant contribution to the variable of Capital Increase over the whole sample.

Table 5-6 the regression results for Capital Increase Number of WOB

R	R Square	Adjusted R Square	Std. Error of the Estimate
	0.587	0.484	1.83705
Gender Variables	B	T	Sig
women on Board	0.476	3.449	0.001

5.2.5. The Relationship between the Percentage of Women on Board and Financial Performance Measure Capital Increase

The results indicate that the percentage of women on board variables contribution were positive and significant to the variable Capital Increase.

Table 5-7 the regression results for Capital Increase the percentage of WOB

R	R Square	Adjusted R Square	Std. Error of the Estimate
	0.586	0.488	1.85683
Gender Variables	B	T	Sig
3+ women on Board	0.027	2.919	0.004

5.2.6. The Relationship of at Least Three Women on Board and Financial Performance Measure Capital Increase

The regression results for the dependent variable Capital Increase for at least three women on board is not significant. Below are the main regression results.

Table 5-8 the regression results for Capital Increase for at least 3 WOB

R	R Square	Adjusted R Square	Std. Error of the Estimate
	0.584	0.486	1.86104
Gender Variables	B	T	Sig
3+ women on Board	0.846	1.354	0.176

5.2.7. The Relationship between the Number of Women on Board and Financial Performance Measure Increase on total Equity ITE

The regression report indicates that the number of women on board contribute positively and significant to the variable Increase in Total Equity (ITE). These results are important and significant because it provides strong support for hypothesis 1.

Table 5-9 the regression results for Increase on total equity and the number of WOB.

R	R Square	Adjusted R Square	Std. Error of the Estimate
	0.737	0.675	1.26006
Gender Variables	B	T	Sig
3+ women on Board	0.233	2.716	0.007

5.2.8. The Relationship between the Percentage of Women on Board and Financial Performance Measure Increase on total Equity ITE

We were able to find a strong positive and significant relationship between the percentage of women on boards and financial performance measure increase on total equity.

Table 5-10 the regression results for Increase on total equity and the percentage of WOB.

R	R Square	Adjusted R Square	Std. Error of the Estimate
	0.736	0.674	1.26129
Gender Variables	B	T	Sig
3+ women on Board	0.013	2.104	0.036

5.2.9. The Relationship of at Least Three Women on Board and Financial Performance Measure Increase of total Equity ITE

The regression report indicates that the relationship between the variable of at least three women on board and financial performance variable increase in total equity (ITE) is not significant over all; this can be explained that the number of companies that have three or more women on board is very limited (8 Companies in 2007, 7 companies in 2006, 6 companies 2005, 7 companies in 2004, 5 companies in 2003, 6 companies in 2002, 3 companies in 2001, and 4 companies in 2000). The details of the regression results for ITE is in the table below.

Table 5-11 the regression results for ITE for at least three WOB.

R	R Square	Adjusted R Square	Std. Error of the Estimate
	0.735	0.673	1.26329
	B	T	Sig
Gender Variables 3+ women on Board	0.448	1.206	0.228

5.2.10. The Relationship between the Number of Women on Board and Financial Performance Measure Business Market Value BMV

The regression report indicates that the number of women on board contribute positively and significant to the variable of business market value (BMV). These results are very important and significant because it provides strong support for hypothesis 1: the number of women on a board is positively related with financial performance of Australian listed companies.

Table 5-12 the regression results for BMV and the number of WOB

R	R Square	Adjusted R Square	Std. Error of the Estimate
	0.855	0.831	0.94488
	B	T	Sig
Gender Variables women on Board	0.287	4.840	0.000

5.2.11. The Relationship between the Percentage of Women on Board and Financial Performance Measure Business Market Value BMV

The regression report indicates that the percentage of women on board contribute positively and significant to the variable of business market value (BMV). These results are very important and significant because it provides strong support for hypothesis 2: the percentage of women on a board is positively related with the financial performance of Australian listed companies.

Table 5-13 the regression results for BMV and the percentage of WOB

R	R Square	Adjusted R Square	Std. Error of the Estimate
	0.854	0.831	0.94654
	B	T	Sig
Gender Variables women on Board	0.019	4.216	0.000

5.2.12. The Relationship of at Least Three Women on Board and Financial Performance Measure Business Market Value BMV

The regression report indicates that the Relationship between the variable of at least three women on board and financial performance variable increase in business market value (BMV) is not significant over all; this can be explained that the number of companies that have three or more women on board is very limited (8 Companies in 2007, 7 companies in 2006, 6 companies 2005, 7 companies in 2004, 5 companies in 2003, 6 companies in 2002, 3 companies in 2001, and 4 companies in 2000). The details of the regression results for BMV are in the table below.

Table 5-14 the regression results for BMV for at least three WOB

R	R Square	Adjusted R Square	Std. Error of the Estimate
	0.923	0.828	0.95793
	B	T	Sig
Gender Variables women on Board	-0.151	-0.457	0.648

5.3. Residuals analysis and diagnostics

Multicollinearity is not a problem in the above models: all VIFs are less than 4, with the large majority near one. The residuals distributions (histograms) appear roughly Normal. With so many cases, some residuals greater than three in size can be expected, and are observed, but there are not too large a number, although there may be some indication that the residuals distribution is slightly heavier tailed than the Normal. There is no pattern to the large residuals and dropping the largest residuals from the analysis does not change the results in any meaningful way.

We also tested for any industry differences but we couldn’t find any significant results.

5.4. Summary of the Results

The Tables below summarise the key regression results

Table 5-15 Summary of regression results: estimated coefficient (significance).

Dependent Variable	Number of Women on Board	Percentage of Women on Board	Three + Women on Board
NPAT	- 0.003 (0.459)	0.005 (0.919)	- 0.227 (0.323)
Capital	0.027 (0.004)	0.476 (0.001)	0.806 (0.176)
ITE	0.013 (0.036)	0.233 (0.007)	0.448 (0.228)
BMV	0.287 (0.000)	0.019 (0.000)	-0.151 (0.648)

Table 5-16 Summary of relationship hypothesized

Relationship hypothesized	Results
1. The Relationship Between the Number of Women on Board and NPAT	Not Significant
2. The Relationship Between the Percentage of Women on Board and NPAT	Not Significant
3. The Relationship Between at Least Three Women on Board and NPAT	Not Significant
4. The Relationship Between the Number of Women on Board and CI	Positive and Significant
5. The Relationship Between the Percentage of Women on Board and CI	Positive and Significant
6. The Relationship Between at Least Three Women on Board and CI	Not Significant
7. The Relationship Between the Number of Women on Board and ITE	Positive and Significant
8. The Relationship Between the Percentage of Women on Board and ITE	Positive and Significant
9. The Relationship Between at Least Three Women on Board and ITE	Not Significant
10. The Relationship Between the	Positive and Significant

Number of Women on Board and BMV	
11. The Relationship Between the Percentage of Women on Board and BMV	Positive and Significant
12. The Relationship Between at Least Three Women on Board and BMV	Not Significant

6. Chapter six: Discussion and Conclusion

6.1. Hypotheses Results and Discussion

This study investigated the relationship between gender at the board level and firm financial performance among several measures of women on board and financial performance. Based on the Resource Based Theory of competitive advantage we devolved hypotheses on this relationship between women on board and firm financial performance.

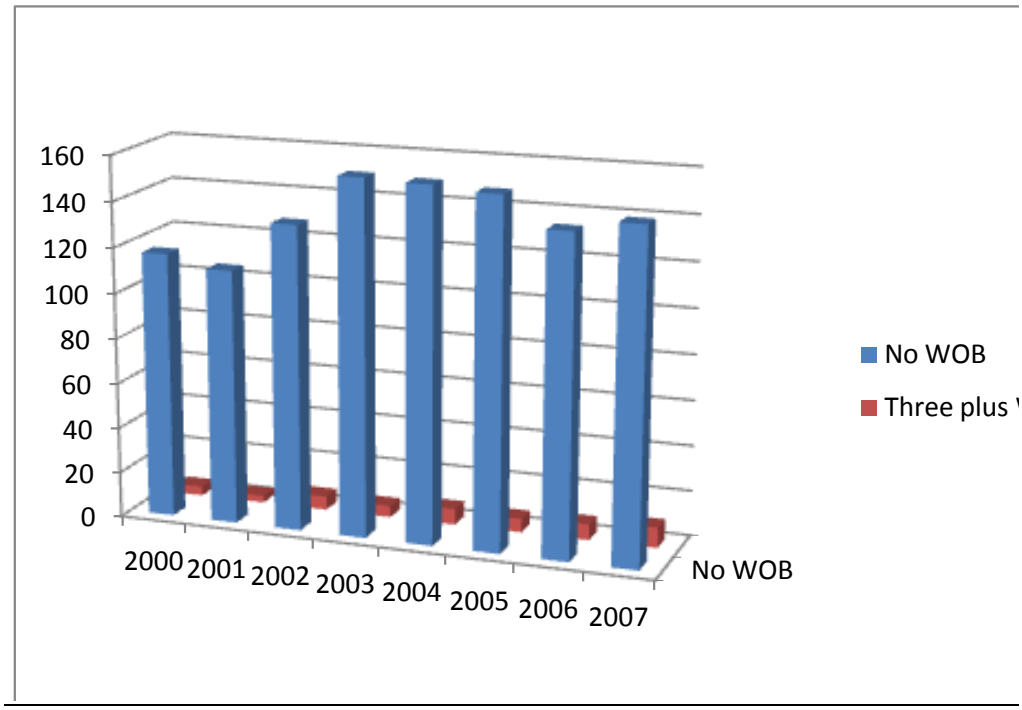
The hypotheses tests and results indicated some mixed results among the relations of women on board measures and financial performance measures. It appeared that firms with a high number of women on the board and or a high percentage of women on the board have high financial performance, three of four of our financial performance measures indicated positive increasing contribution (CI, ITE and BMV) two of these three were strong and significant (ITE and BMV). However the financial performance (NPAT) didn't show clear results. This may indicate that having a high number or percentage of women on board might have a positive and significant impact on long term financial performance measures rather than short term financial performance measures. This suggests that women board members are good planners and strong in the areas of idea generation and innovation. Women, some argue, are also transformational board members and they encourage participation in power and information and seek to enhance the status of employees (Bass, B. M., Avolio, B. J., and Atwater, L. 1996); this latter skill may encourage employees to raise their voice with ideas and innovations and make them feel responsible for improving company performance (table 2.2). All these areas will improve long term financial performance of companies. These results support the

Resource Based Theory of the competitive advantage that argues that firms can develop strong competitive advantages by accumulating unique or difficult to duplicate bundles of resources, Barney suggested that human capital resources are key to competitive advantage. Wiersema (1995) indicated that the ability to build these advantages paid off in terms of return on investment. This may suggest that firms that have utilised the resource of women will get a full benefit from the human resource skills firms can become more creative and accepting of change. Iles and Auluck (1993) found that diverse work forces were beneficial to firms because they facilitated team problem solving and synergy. The ability to manage diversity fostered the incorporation of various perspectives into organizational decision making, and firms that united a wider range of participants performed well

In regard to the relationship between at least three women on board hypotheses and firms financial performance, the results were mostly not significant among all financial performance measures, the main reason for this result is likely to be that the number of companies that have three plus women on board were very limited in our sample - on average 3-8 companies per year (refer to table 6.1). We think it's too early to test for three plus women on board, this doesn't mean its invalid research question, however maybe future research will have better opportunity to find more companies with three plus women on board.

The chart below compares the number of companies that have 3 plus women on board on each year to the number of companies that have no women on board (from table 6.1)

Figure 6-1 the number of companies that have 3 plus Women on the Board in each year compared to the number of companies that have no Women on the Board.



The chart indicates that the number of companies that have 3 plus women on their boards in our sample over the eight years was very low this may explain why this measure was not significant.

6.2. Industry level Results and Discussion

The regression results at Industry level for the relationship between women on board for all the three dependent variables (the number of women on board, the percentage of women on board and at least three women on board) and all financial performances measures (NPAT, ITE, CI and BMV) were not significant because when the data table was sorted by Industry it appeared that the number and the percentage of women on board in each industry was very small (refer to Table 6.1).

As a logical conclusion it's too early to test for Industry differences because some of the industries have no women on boards at all and some have only few. For example in the industry Software & Services the number of companies that have no women on boards is 100%. This is one of the main reasons that made it more appropriate for us to test the data for each individual company on its own over the eight years and compare the difference in financial performances when there are women on the board or no women on the board. The highest number of women on boards found is in the Insurance industry, the total number of women on boards (over the data period) is 65, but comparing that number with the total number of board members of 629 the difference is very big, and 90% of companies had no women on their board. The highest percentages of women on board in our sample were 17% industry Media the number of women on board is 19 of 110, 17% industry Retailing the number of women on board is 12 of 72, and 16% industry Pharmaceuticals Biotechnology Life Sciences the number of women on board is 19 of 117.

Table 6-1 the number and percentage of women on boards at the industry level and the percentage of companies with zero women on the board

Industry	The Number of Women on Boards by Industry	The Number of Men on Board by Industry	The Percentage of Companies with Zero Women on Boards by Industry %
Automobile & Components	-	-	-
Banks	5	35	87.5
Capital Goods	9	94	91.26
Classification Pending	3	26	89.65
Commercial Services & Supplies	4	58	93.54
Consumer Discretionary	-	-	-
Consumer Durables & Apparel	2	28	93.33
Consumer Services	4	44	91.66
Household & Personal Products	1	12	92.30
Diversified Financials	21	138	86.79
Energy	-	-	-
Financials	23	196	89.49
Food & Staples Retailing	2	39	95.12
Food Beverage & Tobacco	9	99	91.66
GICS Sector Code Not Applicable	10	88	89.79
Health Care Equipment & Services	3	28	90.32
Insurance	65	564	89.66
Material	9	94	91.26
Media	19	91	82.72
Pharmaceuticals Biotechnology Life Sciences	19	98	83.76
Real Estate	5	37	88.09
Retailing	12	60	83.33
Software & Services	0	12	100
Technology Hardware & Equipment	5	35	87.5
Telecommunication Services	9	84	90.32

Transportation	**2**	**22**	**91.66**
Utilities	**-**	**-**	**-**
Total	**241**	**1982**	

The following table represents the percentage of women on boards in each Industry examined.

Table 6-2 the percentage of women on boards at each industry % of industry

Industry	**Percentage of women on boards %**
Automobile & Components	**-**
Banks	**13 %**
Capital Goods	**9 %**
Classification Pending	**10 %**
Commercial Services & Supplies	**6 %**
Consumer Discretionary	**-**
Consumer Durables & Apparel	**7 %**
Consumer Services	**8 %**
Household & Personal Products	**8 %**
Diversified Financials	**13 %**
Energy	**-**
Financials	**11 %**
Food & Staples Retailing	**5 %**
Food Beverage & Tobacco	**8 %**
GICS Sector Code Not Applicable	**10 %**
Health Care Equipment & Services	**10 %**

Insurance	**10 %**
Material	**9 %**
Media	**17 %**
Pharmaceuticals Biotechnology Life Sciences	**16 %**
Real Estate	**12 %**
Retailing	**17 %**
Software & Services	**0 %**
Technology Hardware & Equipment	**13 %**
Telecommunication Services	**10 %**
Transportation	**8 %**
Utilities	**-**

The following tabel represents the proportion of companies of each industry

Table 6-3 the percentage of companies of each industry in the data sample.

Industry	**Percentage of women on boards %**
Automobile & Components	0 %
Banks	2 %
Capital Goods	5 %
Classification Pending	9 %
Commercial Services & Supplies	3 %
Consumer Discretionary	0 %
Consumer Durables & Apparel	1 %
Consumer Services	2 %

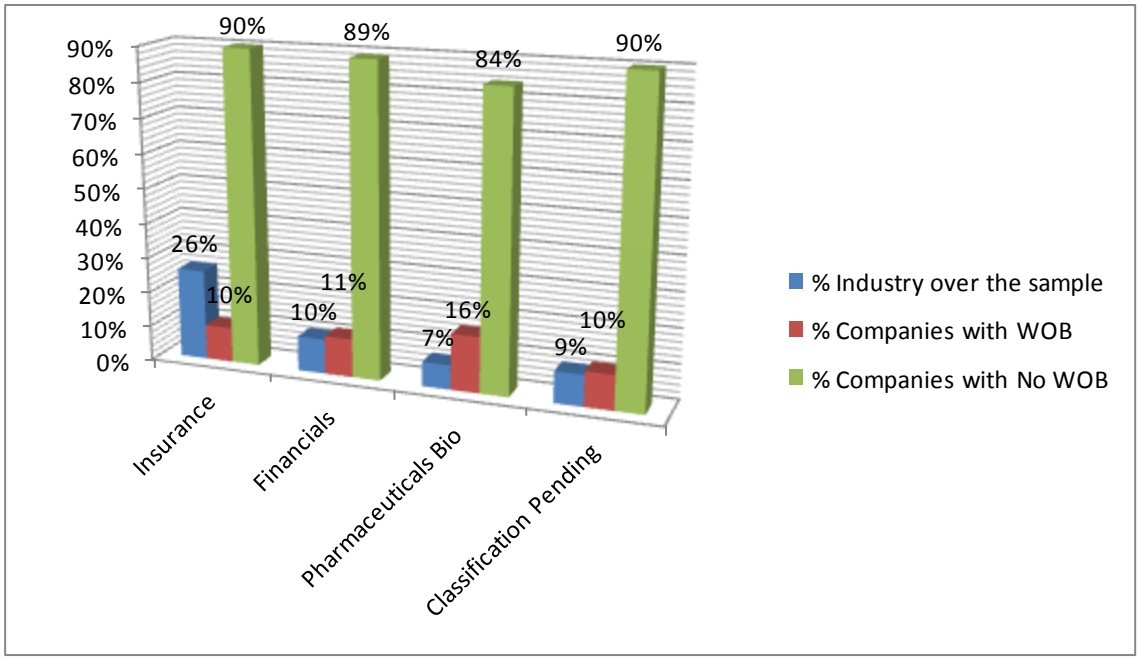
Household & Personal Products	3 %
Diversified Financials	7 %
Energy	1 %
Financials	10 %
Food & Staples Retailing	2 %
Food Beverage & Tobacco	5 %
GICS Sector Code Not Applicable	4 %
Health Care Equipment & Services	1 %
Insurance	26 %
Material	4 %
Media	5 %
Pharmaceuticals Biotechnology Life Sciences	7 %
Real Estate	2 %
Retailing	3 %
Software & Services	1 %
Technology Hardware & Equipment	1 %
Telecommunication Services	3 %
Transportation	1 %
Utilities	0 %

If we compare the two table 6.2 and 6.3 it does give us some very interesting results that potentially explain why all industry level regressions were not significant. The first table 6.2 represents the percentages of women on boards in all the industries examined, the second table 6.3 represents percentage of each industry over our sample, in another way it represents the importance of each industry in our sample.

This means the higher the percentage is, the higher the number of companies in our sample.

Only the major industries in our sample will be compared from tables 6.2 with 6.3. These industries are Insurance which represents 26% of our Sample, Financials representing 10%, Pharmaceuticals Bio 7% and Classifications Pending 9% (refer to figure 6.2).

Figure 6-2 Women on Board (WOB) representation by Industry



The Insurance industry has the highest number of companies in our sample it represents 26% of our sample and yet the percentage of companies with no women on the board is 90%. The financials industry represents 10% of our sample and the percentage of companies that have women on the board is 89%. The Pharmaceuticals Bio industry represents 7% of our sample and the percentage of companies that have no women on the board is 84%.

The low representation of women on board at the industry level makes it very hard and unlikely to find any significant relationship between women on boards and financial performance at this stage. Maybe future research that would examine industry relationships consider examining women at the senior level of management in addition to women on board hopefully that would give them the opportunity to find higher number and higher percentages of women.

6.3. Conclusion

The purpose of this research was to evaluate the influence of gender at the board level on firm financial performance of Australian listed companies. In the theoretical part of the research, we argued that board diversity affects the financial performance of the firm. According to the existing research the influence can be positive as well as negative (Smith, Smith and Verner 2005).

Women are poorly represented on Australian boards (Braund 2005). At the same time, gender diversity at board level is gaining recognition both as a risk management strategy and for improving company performance.

This investigation linked the benefits of having gender diversity at the board level to few major points or values that are significant to all companies. Most of these values were investigated by researchers in the past as well. The main one was that having a gender mix at the board of directors is good for the bottom line, because having more women on corporate boards can have economic rewards and we listed a number of studies (Allen 2006, Lynch 2006, Spurgeon and Cross 2005) that were able to provide evidence that having more women on board helped improve financial performance of companies. For example Fortune 500 companies with the highest percentage of female

directors had 53% higher return on equity (ROE), 42% higher return on sales (ROS), and 62% higher return on invested capital (ROIC). We also investigated the reasons of why having more women on board might help improve the financial performance of companies and listed them in (Table 2.2). Another major value was that having a gender mixed boards is a wise corporate governance practice because it improves decision-making, greater attention to ethics and corporate social responsibility, and better representation of important business stakeholders are just some of the ways corporate governance practices can improve with more women on boards.

Using a sample of 350 Australian listed companies over the period 2000-2007, we analysed whether the proportion of women on boards of directors affects firm financial performance. The conclusion is mixed and depends on the measure of performance and the measure of the proportion of women on boards. The effect of the proportion of women on boards on financial performance varies from no effect to positive and significant in some of the financial measures. For example financial measure BMV has positive and significant effect, CI has positive and significant effect as well as and ITE comparing to NPAT that had no effect at all. These results might also indicate that women on board have positive and significant impact on long term investments rather than short term investments. This can go back to few reasons that we've list before, like having more women on board will improve corporate governance practices and that will improve firms' performance over the long term. We also argued that diversity in the board room improves decision making based on the evaluation of more alternatives compare to one gender boards. It also improves risk management practises and planning and both can help improve long term financial

performance. It will also improve the image of the firm and in this way have positive effects on firms long term performance and shareholders values in the positive image has positive effects on customers' behaviour. Adding to that our results indicate that the positive effect is related to the number of women on boards and the percentage of women on board hypotheses and the three plus women on board hypotheses has a smaller or not significant effect. Also examined the relationship between women on board and financial performance by industry but the results showed unclear effects because the proportion of women on board in each industry was very small to none. Therefore we believe it's too early to test by industry and hopefully future research will be able to find a bigger proportion of women on board in all industries for the test to be effective and clear.

As final thoughts improving the participation of women on boards with proactive diversity strategies and a commitment to objective selection criteria when seeking directors are required. Professional networks for women play an important part in working with companies to make board positions available and promote the many board-ready women into these roles.

As mentioned before, increasing the variety of people who serve on boards offers the opportunity to tap into a rich pool of talented candidates, bringing new voices, experiences and approaches to the decision-making process. It will also help to add depth to existing skills and ideas and, perhaps most importantly, bring the board closer to properly representing its stakeholders.

To benefit from the increasingly important assets that women bring to companies, corporate boards must not only recognize those assets, but also develop a plan to

ensure that their boards become more gender diverse. This plan should stem from a careful analysis of the current skills and experiences of board members, thus identifying any existing gaps.

Boards should actively seek out potential women candidates who could address these gaps. This means expanding the scope and depth of the search for new directors. For example, board recruiters could approach women's business groups or solicit the recommendations of women executives, both within and outside the company. Contacting universities and business schools are other excellent ways to find out about potential directors talent. For example, most of the students enrolled in a MBA program have experience in management, or leadership or and have interest in boards.

In addition to improved recruiting, effective diversity plans must include programs to assist women to succeed in their new responsibilities, such as mentoring, corporate orientation and in-depth briefings on core business and industry issues. These programs ultimately benefit all new board members.

Overall, the board's diversity plan should be specific and measurable, with clear accountabilities. But, this is not about establishing quotas. Rather, an effective diversity initiative examines and evaluates results, not just numbers.

Nevertheless, boards are solely responsible for the poor representation of women on corporate boards. Women must also actively seek out potential opportunities to serve at the board level. No one can sit back and expect board appointments to come their way.

To attract board invitations, women must promote their accomplishments, build and leverage their connections, and seek opportunities to enhance their qualifications. And

when they join a board, they must be willing to invest their time and talent toward learning and contributing to a healthy discussion of the issues. Once more women take charge of their own future; the fruits of their efforts will blossom, grow and spread the seeds for future opportunities (Stephenson 2004).

7. Appendices

7.1. Appendix one – example of data collection

	Year	ASX Code	Full Name of the Company	Industry Code	Financial Performance 2 ITE	Financial Performance 4 NPAT	Financial Performance 5 Capital	Number of Female Directors	Number of the Total Directors	The Percentage of Female Directors
1	2007	AAC	AUSTRALIAN AGRICULTURAL COMPANY LIMITED.	L	143,229,000	3,645,000	18,670,000	0	6	0
	2006				23,657,000	10,102,000	1,180,000	0	6	0
	2005				142,897,000	16,779,000	73,390,000	0	6	0
	2004				47,938,000	6,189,000	60,000	0	6	0
	2003				114,209,000	18,276,000	8,996,000	1	6	0.06
	2002				59,161,000	20,601,000	38,147,000	1	6	0.06
	2001				133,724,000	0	8,488,000	1	6	0.06
	2000				0	0	0	1	6	0.06
2	2007	AAH	ARANA THERAPEUTICS LIMITED	S	223,301,000	133,414,000	89,699,000	1	8	0.08
	2006				9,613,000	5,093,000	4,974,000	1	7	0.07
	2005				10,309,000	25,711,000	-2,442,000	1	6	0.06
	2004				31,916,000	28,341,000	3,572,000	1	5	0.05
	2003				-5,855,000	-15,771,000	9,945,000	1	5	0.05
	2002				-6,264,000	-8,925,000	2,741,000	1	5	0.05
	2001				36,328,000	30,667,000	4,906,000	1	5	0.05
	2000				-334,000	-314,000	11,000	1	5	0.05
3	2007	AAX	AUSENCO LIMITED	C	24,965,000	41,502,000	609,000	0	10	0
	2006				11,691,000	13,421,000	103,000	1	12	0.12
	2005				14,252,000	5,663,000	20,709,000	0	10	0
	2004				9,521,000	6,309,000	20,709,000	0	4	0
	2003				4,131,000	1,058,000	20,709,000	1	4	0.04
	2002					2,789,000		1	4	0.04
	2001					1,508,000		1	4	0.04
	2000					144,000		1	4	0.04
4	2007	ABB	ABB GRAIN LIMITED	L	19,200,000	7,300,000	32,600,000	1	9	0.09
	2006				71,662,000	66,700,000	29,158,000	1	9	0.09
	2005				11,204,000	17,705,000	4,643,000	0	12	0
	2004				665,264,000	17,141,000	674,235,000	0	12	0
	2003				19,125,000	15,038,000	7,352,000	0	10	0
	2002				-9,653,000	14,423,000	-11,128,000	0	10	0
	2001				0	12,800,000	0	0	10	0
	2000				0	0	0	0	10	0

7.2. Appendix Two– The full regression results for dependent variable ITE on the Percentage of Women on Boards.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	16.094	.522		30.837	.000		
	The Percentage of Female Directors	.013	.006	.058	2.104	.036	.230	4.341
	AAC	1.510	.703	.042	2.147	.032	.461	2.169
	AAH	.235	.771	.005	.304	.761	.536	1.864
	AAX	-.689	.765	-.016	-.900	.368	.545	1.836
	AAB	.757	.765	.018	.990	.322	.546	1.833
	ABC	.676	.702	.019	.962	.336	.463	2.161
	ABP	.845	.766	.020	1.103	.270	.544	1.839
	ABS	1.321	.730	.037	1.810	.071	.428	2.337
	AEO	1.494	.893	.027	1.673	.095	.666	1.502
	AEU	.130	1.364	.001	.095	.924	.855	1.169
	AFG	1.917	.732	.049	2.620	.009	.497	2.012
	AGM	-.960	.736	-.025	-1.303	.193	.491	2.039
	AGS	-3.027	.728	-.078	-4.155	.000	.501	1.995
	AIX	1.320	.767	.031	1.722	.085	.543	1.843
	ALB	-.062	1.032	-.001	-.060	.952	.748	1.337
	ALL	1.361	.766	.032	1.776	.076	.543	1.840
	ALS	.441	.702	.012	.628	.530	.463	2.161
	ALZ	2.224	.682	.066	3.261	.001	.429	2.329
	AMC	2.153	.769	.050	2.800	.005	.539	1.854
	AMP	4.195	.820	.088	5.116	.000	.593	1.687
	ANN	.490	1.367	.005	.358	.720	.852	1.174
	ANZ	4.186	.685	.124	6.109	.000	.425	2.352

	AOE	-.734	.729	-.019	-1.008	.314	.501	1.995
	APA	1.737	.764	.041	2.272	.023	.546	1.832
	API	1.436	.816	.030	1.760	.079	.598	1.671
	APN	2.102	.731	.054	2.876	.004	.498	2.009
	AQP	1.159	.685	.034	1.693	.091	.426	2.347
	ARP	-1.029	.682	-.030	-1.508	.132	.430	2.328
	ARQ	.098	.705	.003	.138	.890	.459	2.180
	ASB	.490	.702	.014	.697	.486	.463	2.161
	ASX	.844	.709	.023	1.191	.234	.454	2.203
	AUN	.062	.817	.001	.076	.939	.598	1.673
	AWB	1.257	.729	.032	1.723	.085	.500	2.000
	AWC	2.270	.765	.053	2.969	.003	.546	1.832
	AWE	.549	.681	.016	.806	.420	.430	2.325
	BEC	2.268	.893	.041	2.540	.011	.666	1.501
	BBC	.305	.767	.007	.398	.691	.543	1.843
	BBG	1.363	.707	.038	1.929	.054	.457	2.189
	BBI	1.420	.728	.036	1.949	.051	.501	1.995
	BEC	1.513	.692	.045	2.185	.029	.417	2.401
	BHP	5.235	.731	.134	7.157	.000	.497	2.012
	BKN	2.035	.687	.060	2.964	.003	.423	2.362
	BLD	2.083	.687	.062	3.032	.002	.423	2.362
	BMN	2.707	1.046	.040	2.588	.010	.728	1.374
	BNB	.171	.818	.004	.209	.835	.595	1.680
	BOL	1.357	.709	.038	1.914	.056	.454	2.205
	BOQ	.550	.688	.016	.800	.424	.422	2.368
	BPT	3.117	.819	.065	3.807	.000	.595	1.682
	BSL	-2.886	.738	-.074	-3.909	.000	.488	2.049
	BTA	1.284	.681	.038	1.884	.060	.430	2.325
	BWP	2.498	.774	.058	3.227	.001	.532	1.879
	BXB	-.261	.681	-.008	-.383	.702	.430	2.325
	CAB	5.015	.703	.139	7.136	.000	.462	2.165
	CBA	-1.125	.711	-.031	-1.583	.114	.451	2.215
	CBH	2.005	.817	.042	2.453	.014	.597	1.676
	CCL	-1.269	.707	-.035	-1.793	.073	.456	2.194
	CCP	.646	.728	.017	.887	.375	.501	1.995
	CDR	-2.163	.732	-.055	-2.955	.003	.496	2.014
	CER	1.414	.703	.039	2.013	.044	.462	2.164
	CEY	2.838	.685	.084	4.147	.000	.426	2.346

	CFX	2.281	1.034	.034	2.206	.028	.745	1.343
	CGF	.413	.729	.011	.567	.571	.501	1.997
	CIY	2.876	.704	.080	4.086	.000	.460	2.172
	CMJ	-1.370	.702	-.038	-1.951	.051	.463	2.161
	CMR	2.159	.728	.055	2.964	.003	.501	1.995
	CNP	-1.013	.702	-.028	-1.443	.149	.463	2.159
	COF	.466	.681	.014	.684	.494	.430	2.325
	COH	2.355	.729	.060	3.229	.001	.500	2.000
	CPA	1.711	.703	.047	2.434	.015	.462	2.165
	CPU	.921	.764	.022	1.205	.228	.546	1.830
	CRG	1.606	.703	.044	2.286	.022	.462	2.165
	CSL	2.116	.768	.050	2.754	.006	.541	1.850
	CSR	-.275	.733	-.007	-.375	.708	.495	2.021
	CTO	2.878	.728	.074	3.950	.000	.501	1.995
	CUS	2.831	.741	.073	3.822	.000	.485	2.064
	CXC	.071	.705	.002	.101	.919	.459	2.177
	CXP	.590	.765	.014	.772	.440	.546	1.832
	DJS	1.374	.696	.041	1.974	.049	.412	2.428
	DOW	2.622	.765	.061	3.429	.001	.546	1.832
	DXS	-.706	.819	-.015	-.862	.389	.594	1.685
	EHL	1.295	.771	.030	1.679	.093	.536	1.865
	ENE	1.355	.815	.028	1.664	.096	.601	1.665
	ENV	-.074	.702	-.002	-.105	.916	.463	2.161
	EQI	-.078	.764	-.002	-.103	.918	.546	1.831
	EQN	-.807	.764	-.019	-1.057	.291	.547	1.829
	ERA	1.754	.702	.049	2.498	.013	.463	2.161
	FCL	2.913	.732	.075	3.980	.000	.496	2.014
	FGL	.746	.689	.022	1.083	.279	.421	2.376
	FLT	1.295	.702	.036	1.845	.065	.463	2.159
	FLX	.585	.729	.015	.803	.422	.501	1.997
	FMG	-1.056	.681	-.031	-1.550	.121	.430	2.325
	FWD	-.690	.686	-.020	-1.006	.315	.425	2.354
	FXJ	2.679	.708	.074	3.784	.000	.455	2.196
	GBG	-.885	.764	-.021	-1.159	.247	.546	1.831
	GCL	-.500	.764	-.012	-.655	.513	.546	1.831
	GNS	1.444	.683	.043	2.115	.035	.428	2.335
	GPT	3.219	.689	.095	4.671	.000	.421	2.378
	GRD	.650	.740	.017	.878	.380	.486	2.058

	GTP	.917	.712	.025	1.287	.198	.450	2.223
	GUD	-.924	.764	-.022	-1.209	.227	.546	1.831
	GWT	-.342	.815	-.007	-.420	.674	.601	1.665
	HIL	.297	.686	.009	.433	.665	.424	2.360
	HSP	.797	.681	.024	1.170	.242	.430	2.325
	HVN	2.192	.684	.065	3.203	.001	.426	2.346
	HWI	-.144	.729	-.004	-.198	.843	.501	1.997
	IAG	3.104	.777	.073	3.996	.000	.529	1.892
	IBA	-1.211	.731	-.031	-1.656	.098	.497	2.010
	IDL	-1.573	.829	-.033	-1.898	.058	.580	1.723
	IFL	-.659	.905	-.012	-.728	.467	.649	1.541
	IGO	-.232	.826	-.005	-.281	.779	.584	1.713
	IIF	2.274	.687	.067	3.310	.001	.423	2.365
	ILU	.704	.732	.018	.963	.336	.497	2.012
	IOF	2.300	.702	.064	3.275	.001	.462	2.162
	IPL	1.053	1.041	.016	1.012	.312	.735	1.360
	IRE	-1.123	.692	-.033	-1.622	.105	.417	2.399
	IVC	-.181	.821	-.004	-.220	.826	.592	1.690
	JBH	-.252	.815	-.005	-.310	.757	.600	1.666
	JHX	1.644	.815	.034	2.016	.044	.599	1.668
	JML	-.913	.730	-.023	-1.251	.211	.500	2.001
	JST	-.059	.915	-.001	-.064	.949	.634	1.577
	KCN	2.606E-12	.728	.000	.000	1.000	.502	1.994
	KZL	-.545	.716	-.015	-.762	.446	.445	2.245
	LEI	1.688	.702	.047	2.404	.016	.463	2.161
	LGL	3.349	.895	.061	3.740	.000	.663	1.509
	LLC	2.842	.815	.060	3.489	.000	.601	1.665
	LNN	1.348	.735	.035	1.835	.067	.493	2.029
	LYC	-.828	.764	-.019	-1.083	.279	.546	1.831
	MAH	-.020	.773	.000	-.025	.980	.534	1.873
	MAP	4.375	.764	.102	5.724	.000	.546	1.831
	MCC	.654	.702	.018	.931	.352	.463	2.160
	MCG	3.507	1.033	.052	3.394	.001	.746	1.341
	MCR	-.820	.681	-.024	-1.203	.229	.430	2.325
	MCW	2.347	.683	.069	3.434	.001	.428	2.338
	MDL	.346	.815	.007	.424	.672	.600	1.668
	MDT	2.614	1.033	.039	2.532	.011	.747	1.339

	MFS	.572	.729	.015	.785	.433	.501	1.997
	MGR	2.542	.685	.075	3.710	.000	.426	2.350
	MGX	-.555	.764	-.013	-.726	.468	.546	1.831
	MIG	3.953	.702	.109	5.630	.000	.463	2.161
	MIS	-1.149	.736	-.029	-1.561	.119	.491	2.037
	MLB	-1.387	.704	-.038	-1.969	.049	.460	2.175
	MLE	.474	.707	.013	.670	.503	.456	2.193
	MLI	-1.215	.820	-.025	-1.481	.139	.592	1.689
	MND	-1.278	.685	-.038	-1.865	.062	.425	2.351
	MOF	2.745	.681	.081	4.028	.000	.430	2.326
	MQG	3.354	.689	.099	4.868	.000	.421	2.376
	MRE	3.050	.898	.055	3.395	.001	.658	1.519
	MTS	1.587	.767	.037	2.070	.039	.543	1.843
	MYO	-.066	.702	-.002	-.094	.925	.463	2.161
	NAB	5.110	.732	.131	6.982	.000	.497	2.014
	NCM	2.142	.735	.055	2.915	.004	.493	2.029
	NEM	3.473	.764	.081	4.544	.000	.546	1.831
	NUF	1.379	.706	.038	1.955	.051	.458	2.184
	NWS	6.030	.825	.126	7.312	.000	.586	1.706
	NXS	-.617	.825	-.013	-.748	.455	.586	1.707
	OGC	.753	.901	.014	.836	.403	.655	1.527
	OKN	-1.490	.702	-.041	-2.122	.034	.462	2.162
	ORG	3.118	.734	.080	4.247	.000	.494	2.026
	ORI	1.587	.734	.041	2.162	.031	.494	2.024
	OSH	2.517	.734	.065	3.429	.001	.494	2.026
	OST	1.763	.687	.052	2.566	.010	.423	2.364
	OXR	1.771	.681	.052	2.599	.009	.430	2.325
	PBG	.035	.825	.001	.042	.966	.586	1.706
	PDN	-.207	.729	-.005	-.284	.776	.501	1.997
	PEM	-.803	.682	-.024	-1.177	.239	.430	2.328
	PGL	-.787	.769	-.018	-1.023	.306	.540	1.852
	PLA	-1.838	.765	-.043	-2.402	.016	.545	1.834
	PMP	.295	.734	.008	.402	.688	.494	2.023
	PNA	-.817	.779	-.019	-1.049	.295	.525	1.904
	PPT	.312	.721	.009	.433	.665	.439	2.276
	PPX	1.758	.742	.045	2.369	.018	.483	2.071
	PRG	-.396	.682	-.012	-.581	.561	.430	2.326
	PSA	.648	.893	.012	.726	.468	.667	1.500

	PXS	-.234	1.040	-.003	-.225	.822	.736	1.359
	QAN	3.360	.733	.086	4.584	.000	.495	2.020
	QBE	3.717	.686	.110	5.419	.000	.425	2.355
	QGC	-.541	.702	-.015	-.771	.441	.463	2.161
	RAT	2.167	1.032	.032	2.101	.036	.748	1.336
	RDF	-.719	.746	-.018	-.964	.335	.478	2.093
	RHC	.795	.712	.022	1.116	.265	.450	2.222
	RIC	.029	.707	.001	.041	.967	.457	2.191
	RIO	4.591	.706	.127	6.503	.000	.458	2.185
	RIV	.010	.893	.000	.011	.991	.666	1.501
	RMD	1.865	.681	.055	2.737	.006	.430	2.325
	ROC	.945	.815	.020	1.159	.247	.600	1.668
	RRT	.310	.770	.007	.403	.687	.539	1.856
	RSG	.923	.815	.019	1.132	.258	.600	1.666
	SAI	-.288	.896	-.005	-.322	.748	.662	1.512
	SBM	-.419	.764	-.010	-.549	.583	.546	1.832
	SDG	.605	.712	.017	.850	.395	.450	2.221
	SDL	-.320	1.038	-.005	-.308	.758	.739	1.353
	SEK	.210	.893	.004	.236	.814	.666	1.501
	SEV	2.271	.776	.053	2.928	.003	.530	1.887
	SFH	1.493	.815	.031	1.832	.067	.600	1.667
	SGB	2.217	.743	.057	2.982	.003	.481	2.078
	SGM	1.527	.681	.045	2.241	.025	.430	2.325
	SGN	.543	.707	.015	.769	.442	.457	2.189
	SGP	3.630	.685	.107	5.302	.000	.426	2.348
	SGT	4.793	.769	.112	6.234	.000	.540	1.852
	SGX	.536	.815	.011	.658	.511	.601	1.665
	SHL	1.916	.707	.053	2.711	.007	.457	2.189
	SIP	.427	.768	.010	.557	.578	.541	1.848
	SKE	-.571	.685	-.017	-.834	.404	.426	2.349
	SLM	-.549	.764	-.013	-.718	.473	.546	1.831
	SLV	-1.868	.829	-.039	-2.253	.024	.580	1.724
	SLX	-.389	.902	-.007	-.432	.666	.654	1.530
	SMX	-.523	.782	-.012	-.668	.504	.521	1.919
	SMY	.097	.815	.002	.119	.905	.600	1.666
	SPT	.445	.740	.011	.601	.548	.486	2.056
	SRL	1.015	.704	.028	1.443	.149	.460	2.172
	STO	3.073	.729	.079	4.216	.000	.501	1.998

	SUL	-.192	.815	-.004	-.235	.814	.600	1.666
	SUN	3.593	.705	.099	5.095	.000	.459	2.180
	TAH	1.677	.686	.050	2.444	.015	.424	2.359
	TAP	.315	.736	.008	.428	.668	.491	2.036
	TCL	3.983	.922	.072	4.322	.000	.625	1.599
	TEL	2.473	.778	.058	3.179	.002	.527	1.897
	TEN	.380	.897	.007	.424	.672	.661	1.514
	TIM	1.092	.703	.030	1.553	.121	.462	2.165
	TLS	4.497	.821	.094	5.474	.000	.591	1.693
	TOL	2.641	.708	.073	3.731	.000	.455	2.196
	TRS	-2.300	.829	-.048	-2.775	.006	.580	1.723
	TSE	1.093	.706	.030	1.549	.122	.458	2.183
	TWR	.688	.826	.014	.832	.405	.584	1.713
	UGL	.810	.683	.024	1.186	.236	.428	2.335
	UXC	.244	.738	.006	.331	.741	.488	2.050
	VCR	-1.369	.799	-.032	-1.713	.087	.499	2.003
	VPG	1.352	.815	.028	1.659	.097	.600	1.666
	WAN	-.163	.765	-.004	-.213	.831	.546	1.832
	WBC	3.970	.718	.110	5.529	.000	.442	2.260
	WDC	5.095	.816	.107	6.242	.000	.598	1.671
	WES	2.624	.737	.067	3.561	.000	.490	2.041
	WOR	1.481	.733	.038	2.021	.043	.495	2.018
	WOW	2.053	.710	.057	2.891	.004	.452	2.211
	WPL	3.086	.709	.085	4.350	.000	.453	2.206
	WSA	-1.033	.731	-.029	-1.413	.158	.427	2.340
	WYL	-.837	1.031	-.012	-.811	.417	.749	1.335
	ZFX	2.707	.899	.049	3.012	.003	.658	1.520
	SHG	-.694	.818	-.015	-.848	.396	.595	1.680
	TGR	-.734	.831	-.015	-.883	.377	.577	1.734
	AAM	-1.928	.815	-.040	-2.366	.018	.600	1.666
	ALR	-.795	.764	-.019	-1.041	.298	.546	1.831
	AII	2.225	.818	.047	2.718	.007	.595	1.680
	ACS	-1.688	1.032	-.025	-1.636	.102	.748	1.336
	AEX	-1.677	.893	-.030	-1.879	.060	.667	1.500
	ACR	-.090	1.368	-.001	-.065	.948	.851	1.175
	ADA	-1.484	.822	-.031	-1.806	.071	.591	1.693
	ADU	-.742	.815	-.016	-.910	.363	.600	1.666
	AAU	-1.376	.729	-.035	-1.888	.059	.501	1.997

	ADB	.511	.686	.015	.745	.457	.425	2.355
	ADY	-2.033	.764	-.048	-2.661	.008	.546	1.831
	ADG	-1.269	.702	-.035	-1.808	.071	.463	2.159
	ASC	-.444	.893	-.008	-.498	.619	.667	1.500
	ANM	1.290	.815	.027	1.582	.114	.600	1.666
	AGX	-1.851	1.043	-.027	-1.775	.076	.732	1.367
	AHC	-2.574	.768	-.060	-3.350	.001	.541	1.850
	AIZ	2.112	.733	.054	2.882	.004	.496	2.018
	AJL	-.516	.729	-.013	-.707	.480	.500	2.000
	ALE	-3.296	.909	-.060	-3.627	.000	.643	1.555
	ALK	-2.011	.771	-.047	-2.609	.009	.537	1.862
	AHD	-.406	.708	-.011	-.574	.566	.455	2.196
	ABI	-1.906	.898	-.035	-2.122	.034	.658	1.519
	AMH	-.061	.764	-.001	-.080	.936	.546	1.831
	AAR	-2.586	.815	-.054	-3.175	.002	.601	1.665
	APE	-.256	.692	-.008	-.370	.711	.417	2.399
	AXM	-1.817	1.040	-.027	-1.748	.081	.736	1.358
	ARG	2.516	.691	.074	3.644	.000	.419	2.388
	ARE	-2.340	.823	-.049	-2.844	.005	.589	1.698
	ARA	-1.130	.705	-.031	-1.603	.109	.459	2.178
	ARO	-2.837	.815	-.059	-3.482	.001	.600	1.666
	ATP	-2.592	.764	-.061	-3.392	.001	.546	1.831
	AIA	1.754	.682	.052	2.573	.010	.430	2.326
	AET	-3.049	.767	-.071	-3.977	.000	.543	1.843
	APG	-2.961	.702	-.082	-4.217	.000	.463	2.161
	AEF	-3.757	.799	-.088	-4.705	.000	.500	1.999
	AFI	-4.221	.687	-.125	-6.145	.000	.423	2.362
	AAT	-.682	.766	-.016	-.891	.373	.544	1.837
	AVA	-3.456	1.046	-.051	-3.303	.001	.727	1.375
	AVJ	-.065	.704	-.002	-.093	.926	.460	2.173
	BLT	-2.051	.896	-.037	-2.288	.022	.661	1.513
	BYI	-2.410	.707	-.067	-3.406	.001	.456	2.194
	BNO	-2.135	.775	-.050	-2.755	.006	.531	1.881
	BTC	-1.849	1.074	-.027	-1.721	.085	.690	1.449
	BKL	-2.307	.722	-.064	-3.197	.001	.438	2.283
	CDL	-2.153	.906	-.039	-2.377	.018	.648	1.544
	CDP	-.400	.766	-.009	-.522	.602	.544	1.839
	CCK	-4.775	1.042	-.071	-4.583	.000	.734	1.363

	CWP	-1.244	.821	-.026	-1.515	.130	.591	1.691
	LHG	3.414	1.032	.051	3.309	.001	.748	1.337
	UTB	-.406	.732	-.010	-.554	.579	.496	2.014
	TEL	2.271	.819	.048	2.773	.006	.594	1.683
	TCL	4.677	1.035	.069	4.520	.000	.744	1.345
	TAH	2.360	.729	.061	3.238	.001	.501	1.997
	PRK	3.318	.729	.085	4.553	.000	.501	1.997
	PBL	2.675	.775	.063	3.450	.001	.531	1.885
	MCW	2.540	.730	.065	3.480	.001	.499	2.003
	MBL	3.529	.729	.090	4.842	.000	.501	1.997
	IPG	3.225	.734	.083	4.392	.000	.493	2.027
	GAN	2.958	.729	.076	4.059	.000	.501	1.997
	DVC	1.774	.729	.045	2.434	.015	.501	1.997
	CTX	2.942	.820	.062	3.590	.000	.593	1.686
	CML	3.052	.772	.071	3.951	.000	.535	1.870
	BIL	2.608	.815	.055	3.199	.001	.600	1.668
	ALN	.831	.778	.019	1.068	.286	.527	1.896
	AGL	1.916	.730	.049	2.626	.009	.500	2.001
	CST	-2.808	1.039	-.042	-2.704	.007	.738	1.355
	CLT	-.783	.729	-.020	-1.073	.283	.501	1.998
	CNT	.587	.815	.012	.720	.472	.601	1.665
	CWG	-3.429	.893	-.062	-3.842	.000	.667	1.500
	CHR	-3.524	.764	-.082	-4.610	.000	.546	1.831
	CHP	-3.722	.815	-.078	-4.568	.000	.600	1.666
	CHF	-.825	.765	-.019	-1.079	.281	.546	1.832
	CXS	-1.124	.819	-.024	-1.373	.170	.595	1.682
	CAL	-1.430	.764	-.033	-1.871	.062	.546	1.831
	CCE	-3.437	1.380	-.036	-2.491	.013	.836	1.196
	CDA	-1.457	.898	-.026	-1.623	.105	.659	1.518
	CFR	-3.347	.893	-.061	-3.749	.000	.666	1.501
	CGO	-3.597	.730	-.092	-4.929	.000	.500	2.002
	CHO	.498	.681	.015	.731	.465	.430	2.325
	CHQ	-1.205	.764	-.028	-1.577	.115	.546	1.830
	CIR	-.515	.764	-.012	-.674	.501	.546	1.831
	CKR	-1.222	.764	-.029	-1.599	.110	.546	1.831
	CLH	-1.309	.764	-.031	-1.713	.087	.546	1.831
	CLK	-2.362	.894	-.043	-2.641	.008	.664	1.506
	CLO	.406	.767	.010	.529	.597	.542	1.846

	CLV	-2.964	.815	-.062	-3.637	.000	.600	1.666
	CLX	-2.557	.893	-.046	-2.865	.004	.667	1.500
	CMI	-.668	.765	-.016	-.873	.383	.545	1.833
	CMP	-3.602	1.031	-.053	-3.493	.000	.749	1.335
	CMS	-4.839	1.370	-.051	-3.533	.000	.848	1.179
	CMW	-.781	.815	-.016	-.958	.338	.600	1.666
	CNA	1.860	.898	.034	2.071	.038	.659	1.518
	CND	-1.119	.692	-.033	-1.617	.106	.417	2.400
	CNF	-4.237	1.364	-.044	-3.105	.002	.855	1.170
	WPL	3.086	.709	.085	4.350	.000	.453	2.206
	TCL	4.082	.911	.074	4.480	.000	.640	1.563
	OSH	2.564	.732	.066	3.505	.000	.497	2.013
	ARG	2.516	.691	.074	3.644	.000	.419	2.388
	CUO	-1.057	.893	-.019	-1.184	.237	.666	1.501
	DOM	-1.336	.764	-.031	-1.749	.080	.547	1.829
	GDY	.165	.764	.004	.216	.829	.546	1.831
	GNC	.941	.817	.020	1.152	.249	.597	1.674
	IMD	-1.326	.818	-.028	-1.620	.105	.595	1.680
	MAE	-.937	1.038	-.014	-.903	.367	.739	1.353
	NDO	-1.064	.893	-.019	-1.192	.234	.666	1.501
	OMH	1.450	.820	.030	1.767	.077	.592	1.689
	SGM	1.527	.681	.045	2.241	.025	.430	2.325
	Y2001	-.067	.134	-.009	-.504	.615	.541	1.847
	Y2002	-.048	.129	-.007	-.369	.712	.507	1.971
	Y2003	.134	.127	.020	1.056	.291	.480	2.085
	Y2004	.458	.122	.074	3.743	.000	.446	2.244
	Y2005	.677	.124	.108	5.452	.000	.444	2.251
	Y2006	.980	.129	.147	7.603	.000	.467	2.143
	Y2007	1.384	.127	.214	10.910	.000	.454	2.203

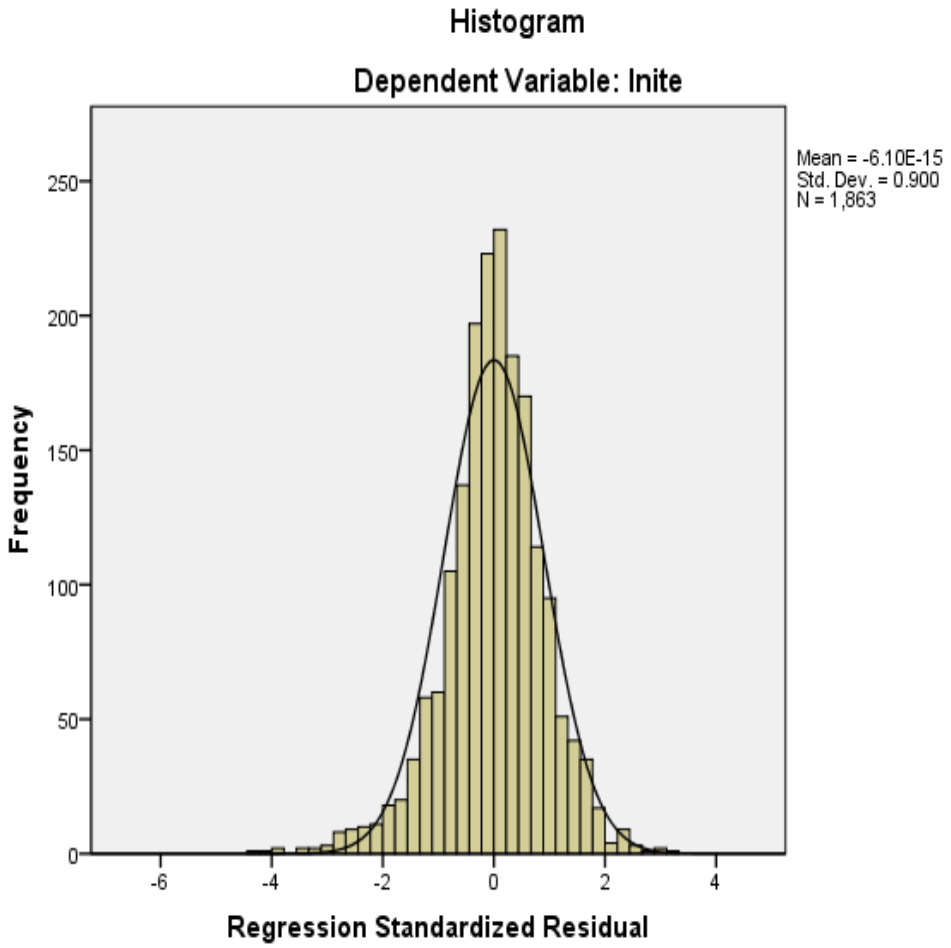
a. Dependent Variable: lnite

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.858[a]	.736	.674	1.26129

ANOVA[b]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6698.608	354	18.923	11.895	.000[a]
	Residual	2399.003	1508	1.591		
	Total	9097.611	1862			

Residuals Statistics[a]					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	11.9475	23.2946	17.3749	1.89672	1863
Std. Predicted Value	-2.861	3.121	.000	1.000	1863
Standard Error of Predicted Value	.452	1.261	.542	.099	1863
Adjusted Predicted Value	11.2516	24.0491	17.3820	1.91995	1857
Residual	-5.40675	3.97027	.00000	1.13508	1863
Std. Residual	-4.287	3.148	.000	.900	1863
Stud. Residual	-4.807	3.541	.000	1.004	1863
Deleted Residual	-6.79967	5.17124	-.00007	1.42186	1857
Stud. Deleted Residual	-4.843	3.554	.000	1.007	1857
Mahal. Distance	238.055	1861.000	353.810	157.113	1863
Cook's Distance	.000	.017	.001	.002	1857
Centered Leverage Value	.128	.999	.190	.084	1863



Casewise Diagnostics[a]				
Case Number	Std. Residual	lnite	Predicted Value	Residual
302	-3.969	12.46	17.4663	-5.00562
383	-3.111	9.47	13.3959	-3.92324
555	-4.215	13.06	18.3771	-5.31665
995	-3.359	14.08	18.3147	-4.23687
1292	3.058	20.81	16.9507	3.85650
1404	-3.209	11.96	16.0104	-4.04729
1648	3.148	19.80	15.8262	3.97027
1861	-3.968	13.46	18.4631	-5.00425
2217	-4.287	11.39	16.7955	-5.40675
2294	-3.518	11.35	15.7882	-4.43780
2444	-3.316	14.29	18.4679	-4.18242

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